MIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 9 to 91, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.
I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in Note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

30 August 2013

MIER LOCAL MUNICIPALITY
INDEX TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Mier Local Municipality at 30 June 2013.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Creditors and Unspent Conditional Grants.

2 KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2013	2012
Surplus / (Deficit) before Appropriations	(8 278 604)	(1 538 192)
Surplus / (Deficit) at the end of the Year	315 264 849	323 543 453
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	17.66%	22.22%
Remuneration of Councillors	4.06%	4.92%
Depreciation and Amortisation	22.62%	27.87%
Impairment Losses	6.41%	10.44%
Repairs and Maintenance	0.28%	1.90%
Interest Paid	0.16%	0.19%
Contracted Services	0.87%	0.22%
General Expenses	25.98%	32.23%
Current Ratio:		
Trade Creditors Days	274	204
Debtors from Exchange Transactions Days	38	36

2 KEY FINANCIAL INDICATORS (continue)

2.2 Performance Indicators:

INDICATOR	2013	2012
Borrowing Management:		
Capital Charges to Operating Expenditure	0.16%	0.43%
Capital Charges to Own Revenue	1.18%	2.23%
Borrowed Funding to Own Capital Expenditure	0.00%	0.00%
Borrowing to Total Capital Assets	0.03%	0.12%
Safety of Capital:		
Gearing	0.03%	0.13%
Liquidity:		
Current Ratio	0.63	0.29
Liquidity Ratio	0.21	0.00
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	9.92%	14.17%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	0.00%	0.00%
Revenue Management:		
Current Debtors Collection Rate	17.00%	51.89%
Outstanding Debtors to Revenue	38.30%	12.75%
Creditors Management:		
Creditors to Cash and Investments	169.08%	88737.25%
Financial Viability:		
Debt Coverage	105.53	35.18
Outstanding Service Debtors to Revenue	130.90%	44.54%
Cost Coverage	0.16	0.00

3 OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Mier Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below:

3 OPERATING RESULTS (continue)

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	323 543 453	320 103 928	1.07	-	100.00
Operating income for the year	32 214 227	30 257 257	6.47	38 186 000	(15.64)
	355 757 680	350 361 184	1.54	38 186 000	831.64
Expenditure:					
Operating expenditure for the year	40 492 831	31 795 449	27.35	26 733 000	51.47
Sundry transfers	-	(4 977 718)	(100.00)	-	-
Closing surplus / (deficit)	315 264 849	323 543 453	(2.56)	11 453 000	2 652.68
	355 757 680	350 361 184	1.54	38 186 000	831.64

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	44 602 495	30 257 257	47.41	38 185 900	16.80
Expenditure	32 326 489	31 795 449	1.67	26 867 710	20.32
Surplus / (Deficit)	12 276 006	(1 538 192)	(898.08)	11 318 190	8.46
Surplus / (Deficit) as % of total income	27.52%	(5.08)%		29.64%	

Variance from 2011/12 actual:

The 47.41% increase on last year's actual revenue is primarily as a result of the Flood Disaster Grant being included in revenue. The 1.67% increase on last year's actual expenditure is primarily as a result of the Flood Disaster Grant expenditure.

Variance from 2012/13 budget:

The -16.80% decrease on the reporting years budget is primarily as a result of grants not budgeted for, being received . The -20.32% decrease on last year's actual expenditure is primarily as a result of grants being spent, which were not budgeted for.

3.2 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	8 598 131	7 077 532	21.48	9 618 897	(10.61)
Expenditure	11 561 234	10 447 372	10.66	9 793 614	18.05
Surplus / (Deficit)	(2 963 104)	(3 369 841)	(12.07)	(174 717)	1 595.94
Surplus / (Deficit) as % of total income	(34.46)%	(47.61)%		(1.82)%	

3 OPERATING RESULTS (continue)

3.3 Electricity Services:

The municipality does not provide any Electricity services as all are done by Eskom Ltd.

3.4 Water Services:

Water is pumped from boreholes and distributed to the consumers by the municipality.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	1 059 248	1 191 275	(11.08)	1 652 044	(35.88)
Expenditure	5 895 785	5 409 539	8.99	2 428 333	142.79
Surplus / (Deficit)	(4 836 537)	(4 218 264)	14.66	(776 289)	523.03
Surplus / (Deficit) as % of total income	(456.60)%	(354.10)%		(46.99)%	

4 FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R5 004 093 (2011/12: R9 919 910). Full details of Assets are disclosed in Notes 8, 9, 10, N/A and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R5 004 093 was financed as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Grants and Subsidies	5 004 093	9 919 910	(49.56)	11 318 190	(55.79)
	5 004 093	9 919 910	(49.56)	11 318 190	(55.79)

4 FINANCING OF CAPITAL EXPENDITURE (continue)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2013	2012
Grants and Subsidies	100.00%	100.00%
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5 RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2013	2012
Variance per Category:		
Budgeted surplus before appropriations	11 453 000	16 008 209
Revenue variances	(5 971 773)	(7 203 707)
Expenditure variances:		
Employee Related Costs	185 284	399 856
Remuneration of Councilors	98 279	101 082
Collection Costs	-	-
Depreciation and Amortisation	(9 159 451)	(8 862 784)
Impairment Losses	(656 315)	(2 601 671)
Repairs and Maintenance	(113 224)	242 413
Interest Paid	(12 974)	333 840
Bulk Purchases	-	-
Contracted Services	(134 877)	(68 768)
Grants and Subsidies Paid	-	-
General Expenses	4 909 143	113 338
Loss on disposal of Property, Plant and Equipment	(22 479)	-
Actual surplus before appropriations	574 613	(1 538 192)
	8 853 217	

5 RECONCILIATION OF BUDGET TO ACTUAL (continue)

DETAILS	2013	2012
Variance per Service Segment:		
Budgeted surplus before appropriations	11 453 000	16 008 209
Executive and Council	355 278	(255 833)
Finance and Administration	7 004 798	(10 801 809)
Community and Social Services	461 987	-
Technical Services	(6 864 247)	(6 488 760)
Actual surplus before appropriations	12 410 816	(1 538 192)
	20 689 420	

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Variance actual 2012/13 / 2011/12 R	Budgeted 2012/13 R	Variance actual/ budgeted R
Technical Services	5 004 093	9 919 910	(4 915 817)	11 318 190	(6 314 097)
	5 004 093	9 919 910	(4 915 817)	11 318 190	(6 314 097)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (2)".

6 ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R315 264 849 (30 June 2012: R323 543 453) and is made up as follows:

Accumulated Surplus	315 264 849
	315 264 849

Refer to Note 19 and the Statement of Change in Net Assets for more detail.

7 LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R111 116 (30 June 2012: R425 814).

Loans to the amount of R0 (2011/12: R0) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 16 and Appendix "A" for more detail.

8 NON-CURRENT PROVISIONS

Non-current Provisions amounted R15 965 632 as at 30 June 2013 (30 June 2012: R17 608 477) and is made up as follows:

Provision for Long-term Service	161 684
Provision for Rehabilitation of Land-fill Sites	15 803 948
	15 965 632

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 17 for more detail.

9 CURRENT LIABILITIES

Current Liabilities amounted R23 622 234 as at 30 June 2013 (30 June 2012: R16 708 222) and is made up as follows:

Provisions	Note 12	2 567 519
Payables	Note 13	8 336 998
Unspent Conditional Grants and Receipts	Note 15	10 980 549
Current Portion of Long-term Liabilities	Note 16	898 199
		22 923 335

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10 PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R337 224 773 as at 30 June 2013 (30 June 2012: R342 503 416).

Refer to Note 8 and Appendices "B, C and E (2)" for more detail.

11 INTANGIBLE ASSETS

The net value of Intangible Assets were R365 110 as at 30 June 2013 (30 June 2012: R817 278).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 9 and Appendix "B" for more detail.

12 INVESTMENT PROPERTY

The net value of Investment Properties were R8 565 376 as at 30 June 2013 (30 June 2012: R6 938 432).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 10 and Appendix "B" for more detail.

13 CURRENT ASSETS

Current Assets amounted R14 954 287 as at 30 June 2013 (30 June 2012: R4 810 458) and is made up as follows:

Inventories	Note 2	716 616
Receivables from Exchange Transactions	Note 3	399 383
Receivables from Non-exchange Transactions	Note 4	5 476 895
VAT Receivable	Note 5	3 430 501
Cash and Cash Equivalents	Note 6	4 930 892
Operating Lease Assets	Note 7	-
		14 954 287

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

The substantial increase is due to the provision for consumption of metered services from the last reading date to 30 June 2008. Council's Credit Control Policy will have to be applied strictly and adhered to in all circumstances in order to recover monies due to the municipality. The non-collection of debt also has a negative impact on the municipality's cashflow.

Refer to the indicated Notes for more detail.

14 INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 15 and 21, and Appendix "F" for more detail.

15 EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 49.

16 EXPRESSION OF APPRECIATION

We are grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2013

MIER LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Note	Actual 2013 R	2012 R
ASSETS			
Current Assets		**14 954 287**	**4 810 458**
Inventories	2	716 616	686 455
Receivables from Exchange Transactions	3	399 383	373 677
Receivables from Non-exchange Transactions	4	5 476 895	1 557 232
VAT Receivable	5	3 430 501	2 135 778
Cash and Cash Equivalents	6	4 930 892	6 993
Operating Lease Receivables	7	-	50 323
Non-Current Assets		**346 155 259**	**353 475 508**
Property, Plant and Equipment	8	337 224 773	342 503 416
Intangible Assets	9	365 110	817 278
Investment Property	10	8 565 376	6 938 432
Biological Assets	11	-	3 216 382
Total Assets		**361 109 546**	**358 285 967**
LIABILITIES			
Current Liabilities		**23 622 234**	**16 708 222**
Provisions	12	2 567 519	2 763 911
Payables from Exchange Transactions	13	8 336 998	6 205 467
Payables from Non-exchange Transactions	14	698 899	1 044 571
Unspent Conditional Grants and Receipts	15	10 980 549	4 405 557
Operating Lease Liabilities	7	140 070	-
Bank Overdraft	6	-	1 705 192
Current Portion of Long-term Liabilities	16	898 199	583 524
Non-Current Liabilities		**16 076 749**	**18 034 292**
Long-term Liabilities	16	111 116	425 814
Non-current Provisions	17	15 965 632	17 608 477
Total Liabilities		**39 698 983**	**34 742 513**
Total Assets and Liabilities		**321 410 563**	**323 543 453**
NET ASSETS		**321 410 563**	**323 543 453**
Reserves	18	6 145 714	-
Accumulated Surplus / (Deficit)	19	315 264 849	323 543 453
Total Net Assets		**321 410 563**	**323 543 453**

MIER LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Budget				Actual	
2012	2013 Original	2013 Adjusted		Note	2013	2012
R	R	R			R	R
			REVENUE			
			Revenue from Non-exchange Transactions			
765 687	809 000	923 000	Property Rates	20	919 699	701 467
30 874 866	24 026 000	31 026 000	Government Grants and Subsidies Received	21	26 831 719	23 735 286
-	-	-	Public Contributions and Donations	22	39 649	402 354
			Revenue from Exchange Transactions			
4 424 878	4 241 000	5 777 000	Service Charges	23	2 910 391	3 085 888
544 953	459 851	460 000	Rental of Facilities and Equipment	24	658 892	548 171
80 000	150 000	-	Interest Earned - External Investments	25	50 605	98 899
770 579	2 464 000	-	Other Revenue	26	803 272	1 164 736
-	-	-	Other Gains on Continued Operations	34	-	520 455
37 460 964	**32 149 851**	**38 186 000**	**Total Revenue**		**32 214 227**	**30 257 257**
			EXPENDITURE			
7 464 981	7 336 000	7 336 000	Employee Related Costs	27	7 150 716	7 065 125
1 665 891	1 744 000	1 744 000	Remuneration of Councillors	28	1 645 721	1 564 809
-	-	-	Depreciation and Amortisation	29	9 159 451	8 862 784
718 075	1 938 000	1 938 000	Impairment Losses	30	2 594 315	3 319 746
848 102	-	-	Repairs and Maintenance		113 224	605 689
395 000	146 000	50 000	Finance Costs	31	62 974	61 160
-	199 000	216 000	Contracted Services	32	350 877	68 768
10 360 705	8 682 000	15 428 000	General Expenses	33	10 518 857	10 247 367
-	-	-	Loss on Disposal of Property, Plant and Equipment		22 479	-
-	-	21 000	Other Losses on Continued Operations	34	8 874 217	-
21 452 754	**20 045 000**	**26 733 000**	**Total Expenditure**		**40 492 831**	**31 795 449**
16 008 209	**12 104 851**	**11 453 000**	**SURPLUS / (DEFICIT) FOR THE YEAR**		**(8 278 604)**	**(1 538 192)**

Refer to Appendix E(1) for explanation of budget variances

MIER LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Revaluation Reserve	Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2012			
Balance at 30 June 2011	-	320 103 928	320 103 928
Correction of Error (Note 36)	-	4 977 717	4 977 717
Restated Balance	**-**	**325 081 645**	**325 081 645**
Surplus / (Deficit) for the year		(1 538 192)	(1 538 192)
Balance at 30 June 2012	**-**	**323 543 453**	**323 543 453**
2013			
Restated Balance	**-**	**323 543 453**	**323 543 453**
Surplus / (Deficit) for the year		(8 278 604)	(8 278 604)
Changes in revaluation of Property, Plant & Equipment	6 145 714	-	6 145 714
Balance at 30 June 2013	**6 145 714**	**315 264 849**	**321 410 562**

Details on the movement of the Funds and Reserves are set out in Note 19.

MIER LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

Budget 2013 Original R	Budget 2013 Adjusted R		Note	Actual 2013 R	Actual 2012 R
		CASH FLOWS FROM OPERATING ACTIVITIES			
		Receipts			
5 575 000	3 919 000	Property Rates	20	450 796	105 899
24 026 000	31 025 000	Government Grant and Subsidies	21	33 406 711	20 669 468
-	-	Public Contributions and Donations	22	39 649	402 354
-	-	Service Charges	23	200 366	1 859 435
-	-	Interest Received	25	50 605	98 899
-	-	Other Receipts		(1 651 705)	6 845 191
		Payments			
(15 824 000)	(20 987 000)	Employee Related Costs	27	(7 102 908)	(6 972 485)
-	-	Remuneration of Councillors	28	(1 645 721)	(1 564 809)
(146 000)	(50 000)	Interest Paid	31	(62 974)	(321 351)
-	-	Suppliers Paid		(8 993 058)	(8 044 684)
(1 847 000)	(1 847 000)	Other Payments		(3 188 093)	(15 784 153)
11 784 000	**12 060 000**	**NET CASH FLOWS FROM OPERATING ACTIVITIES**		**11 503 668**	**(2 706 236)**
		CASH FLOWS FROM INVESTING ACTIVITIES			
(11 494 000)	(11 494 000)	Purchase of Property, Plant and Equipment	8	(5 004 093)	(9 911 236)
-	-	Purchase of Intangible Assets	9	-	(8 675)
-	-	Proceeds on Disposal of Property, Plant and Equipment		22 479	-
-	-	Proceeds on Disposal of Investment Property		43 056	-
-	-	Decrease / (Increase) in Operating Lease Assets		64 004	(28 448)
-	-	Proceeds on Disposal of Biological Assets		-	147 907
		Other Movement of Property, Plant and Equipment			8 194 709
(11 494 000)	**(11 494 000)**	**NET CASH FLOWS FROM INVESTING ACTIVITIES**		**(4 874 554)**	**(1 605 743)**
		CASH FLOWS FROM FINANCING ACTIVITIES			
(240 000)	(240 000)	Repayment of Borrowings	16	(23)	(75 049)
(240 000)	**(240 000)**	**NET CASH FLOWS FROM FINANCING ACTIVITIES**		**(23)**	**(75 049)**
50 000	**326 000**	**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**	**6**	**6 629 091**	**(4 387 028)**
0.00	0.00				
-	(1 705 000)	Cash and Cash Equivalents at Beginning of Period		(1 698 199)	2 688 830
50 000	(1 379 000)	Cash and Cash Equivalents at End of Period		4 930 892	(1 698 199)

MIER LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

	2012/2013						
Description	Original Total Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R

Description	Original Total Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE							
Revenue from Non-exchange Transactions							
Property Rates	809 000	114 000	923 000	919 699	(3 301)	99.64	113.68
Government Grants and Subsidies Received	24 026 000	7 000 000	31 026 000	26 831 719	(4 194 281)	86.48	111.68
Public Contributions and Donations	-	-	-	39 649	39 649	100.00	100.00
Revenue from Exchange Transactions							
Service Charges	4 241 000	1 536 000	5 777 000	2 910 391	(2 866 609)	50.38	68.63
Rental of Facilities and Equipment	459 851	149	460 000	658 892	198 892	143.24	143.28
Interest Earned - External Investments	150 000	(150 000)	-	50 605	50 605	100.00	33.74
Other Income	2 464 000	(2 464 000)	-	803 272	803 272	100.00	32.60
Total Revenue	32 149 851	6 036 149	38 186 000	32 214 227	(5 971 773)	84.36	100.20
Expenditure							
Employee Related Costs	7 336 000	-	7 336 000	7 150 716	(185 284)	97.47	97.47
Remuneration of Councilors	1 744 000	-	1 744 000	1 645 721	(98 279)	94.36	94.36
Depreciation and Amortisation	-	-	-	9 159 451	9 159 451	100.00	100.00
Impairment Losses	1 938 000	-	1 938 000	2 594 315	656 315	133.87	133.87
Repairs and Maintenance	-	-	-	113 224	113 224	100.00	100.00
Finance Costs	146 000	(96 000)	50 000	62 974	12 974	125.95	43.13
Contracted Services	199 000	17 000	216 000	350 877	134 877	162.44	176.32
General Expenses	8 682 000	6 746 000	15 428 000	10 518 857	(4 909 143)	68.18	121.16
Other Losses on Continued Operations	-	21 000	21 000	8 874 217	8 853 217	42 258.18	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	22 479	22 479	100.00	100.00
Total Expenditure	20 045 000	6 688 000	26 733 000	40 492 831	13 759 831	151.47	202.01
Surplus/(Deficit) for the Year	**12 104 851**	**(651 851)**	**11 453 000**	**(8 278 604)**	**(19 731 604)**	**-**	**-**

Description	Original Total Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION							
Finance and Administration	110 000	-	110 000	71 690	(38 310)	65.17	65.17
Waste Management	11 318 000	-	11 318 000	-	(11 318 000)	0.00	0.00
Water	66 000	-	66 000	-	(66 000)	0.00	0.00
Technical Services		-		4 932 403	4 932 403	0.00	0.00
Total Sources of Capital Funds	**11 494 000**	**-**	**11 494 000**	**5 004 093**	**(6 489 907)**	**43.54**	**43.54**
CASH FLOW							
Cash Flows from/(used in) Operating Activities							
Property Rates	5 575 000	(1 656 000)	3 919 000	450 796	(3 468 204)	11.50	8.09
Grants	24 026 000	6 999 000	31 025 000	33 406 711	2 381 711	107.68	139.04
Public Contributions and Donations	-	-	-	39 649	39 649	0.00	0.00
Service Charges	-	-	-	200 366	200 366	0.00	0.00
Interest Received	-	-	-	50 605	50 605	0.00	0.00
Other Receipts	-	-	-	(1 651 705)	(1 651 705)	0.00	0.00
Employee Related Costs	(15 824 000)	(5 163 000)	(20 987 000)	(7 102 908)	13 884 092	0.00	0.00
Remuneration of Councilors	-	-	-	(1 645 721)	(1 645 721)	0.00	0.00
Interest Paid	(146 000)	96 000	(50 000)	(62 974)	(12 974)	0.00	0.00
Suppliers Paid	-	-	-	(8 993 058)	(8 993 058)	0.00	0.00
Other Payments	(1 847 000)	-	(1 847 000)	(3 188 093)	(1 341 093)	0.00	0.00
Cash Flows from/(used in) Investing Activities							
Purchase of Property, Plant and Equipment	(11 494 000)	-	(11 494 000)	(5 004 093)	6 489 907	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	22 479	22 479	0.00	0.00
Proceeds on Disposal of Investment Property	-	-	-	64 004	64 004	0.00	0.00
Cash Flows from/(used in) Financing Activities							
Loans repaid	(240 000)	-	(240 000)	(23)	239 977	0.00	0.00
Net increase /(decrease) in cash and cash equivalents	**50 000**	**276 000**	**326 000**	**6 629 091**	**6 303 091**	**2 033.46**	**13 258.18**
Cash and Cash Equivalents at Beginning of Period	**-**	**(1 705 237)**	**(1 705 237)**	**(1 698 199)**			
Cash and Cash Equivalents at End of Period	**50 036**	**(1 429 237)**	**(1 379 237)**	**4 930 892**			

Description	Original Total Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, are as follow:

Government Grants and Subsidies Received

{Management did not budget in terms of GRAP 23, Revenue from non-exchange transactions, resulting in less revenue being recognised}

Service Charges

{The basis used for services revenue in the budget is not aligned to the service revenue generated in a financial year}

Public Contributions and Donations

{Management did not budget for a motor vehicle received at no nominal consideration, from a Northern Cape Provincial Department}

Rental of Facilities and Equipment

{Management did not budget for the rental income of a new lease entered into during the year, resulting in increase income}

Interest Earned - External Investments

{Management did not budget for any interest to be received from cash and cash equivalents, due to the prior years negative cash position}

Other Income

{Management did not budget for the VAT own income portion, recognised from various grants received}

Other Losses on Continued Operations

{Management did not budget for the Fair Value adjustment on the Pulia farm that was classified as Investment Property during the year}

Finance Costs

{Management did not budget for the interest portion on the arrears account of the DBSA loan}

Depreciation and Amortisation

{Management did not budget for any depreciation and Amortisation for the financial year}

Impairment Losses

{Management did not budget for the indigent support that had to be corrected, as the indigent subsidies paid were not authorised, amounting to R890 000. Furthermore, management did not budget for the increase on the impairment of debtors as the debt outstanding increased}

Repairs and Maintenance

{Management did budget for repair and maintenance under the general expenditure, disclosed in note 33 to the financial statements}

Contracted Services

{Management did not budget for consulting fees, for the preparation of the annual financial statements}

General Expenses

{Management included in the general expenditure budget, capital expenditure from the MIG funds received}

Loss on Disposal of Property, Plant and Equipment

{Management did not budget for any loss/process of sale of any assets, as the decision to dispose of assets were taken after the budget was approved}

Description	Original Total Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, are as follow:

Infrastructure

{Management budgeted for the full MIG amount allocated, but the municipality did not have enough projects to spend this amount on, thus the reason for the difference}

Other assets

{Management did not budget for any other assets acquisitions, but through the year it become necessary to do so}

Cash Flow: Explanation of Variances between Approved Budget and Final Budget

Reasons for Variances greater than 10% between Approved Budget and Final Budget on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates

{Management decrease this amount, because after the first 6 months, the excepted income was determined to be less}

Government Grant and Subsidies

{Management increased the Adjusted amount, because that the original amount did not include the allocation of the Bloodhound Project estimated to be R7 000 000}

Employee Related Costs

{This increase was accidently recorded against Employee Related Costs instead General expenses}

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Cash flow statement: Operating activities:

{Variances in government grants and subsidies received, public contributions and donations, services charges, interest received and other receipts have been explained as part of the variances per statement of financial performance}

{Variances in payments made are due to under budgeting of employee related costs, that should have been used to the excess in the budget that relates to general expenses as included in the cash flow statement }

Cash flow statement: Investment activities:

{Capital expenditure includes projects that are still in progress, which have been indicated in the statement as being completed at year end }

Cash flow statement: Financing activities:

{No loan repayments have been made during the year due to the financial difficulty of the municipality }

Net increase/(decrease) in cash and cash equivalents:

{the increase is due to grants allocation received on capital projects, that have not been utilized during the financial year}

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The following GRAP standards have been issued and are effective:

GRAP 1 Presentation of financial statements
GRAP 2 Cash flow statement
GRAP 3 Accounting policies, changes in accounting estimates and errors
GRAP 4 The effect of change in foreign exchange rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and separate financial statements
GRAP 7 Investments in associates
GRAP 8 Interest in joint ventures
GRAP 9 Revenue from exchange transactions
GRAP 10 Financial reporting in a Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after reporting date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent liabilities and assets
GRAP 21 Impairment of Non-cash-generating assets
GRAP 23 Revenue from Non-Exchange transactions
GRAP 24 Presentation of budget information in the financial statements
GRAP 25 Employee benefits
GRAP 26 Impairment of Cash-generation assets
GRAP 27 Agriculture
GRAP 31 Intangible Assets
GRAP 100 Non-current assets held for sale and Discontinued operations
GRAP 103 Heritage assets
GRAP 104 Financial Instruments
IGRAP 01 Applying the Probability Test on Initial Recognition of Revenue
IGRAP 02 Changes in Existing Decommissioning Restoration and Similar Liabilities
IGRAP 03 Determining whether an Arrangement contains a lease
IGRAP 04 Rights to interest arising from Rehab funds
IGRAP 05 Applying the restatement approach under GRAP 10
IGRAP 06 Loyalty programmes
IGRAP 07 Limit of a Define Benefit asset min fund requirement and interact
IGRAP 08 Agreements for the construction of assets from exchange transaction
IGRAP 09 Distribution of Non-cash assets to owners
IGRAP 10 Assets received from customers
IGRAP 11 Consolidation special purpose entities
IGRAP 12 Jointly controlled entities non-monetary contributions
IGRAP 13 Operation leases incentives
IGRAP 14 Evaluating the substance of tax involving legal form of a lease
IGRAP 15 Revenue - Barter transactions involving advertising services
IGRAP 16 Intangible Assets - Website costs
IPSAS 20 Related parties

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value of the consideration received. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. BASIS OF PRESENTATION (Continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 2 Financial Assets and Liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments - Presentation*.

1. 2. 3 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R2 350 399 and that of trade and other receivable from non exchange transactions to R180 584.

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.
The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy 6.2 on *Intangible Assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

1. BASIS OF PRESENTATION (Continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories (continued)

In making the above-mentioned estimates and judgements, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property plant and equipment amounted to R63 332, whilst no impairments were made to intangible assets or inventory.

1. 2. 6 Defined Benefit Plan Liabilities

As described in Accounting Policy 14, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 17 to the Annual Financial Statements.

1. 2. 7 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 2. 8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5% (2012: 5.5%) and discounted to the present value:
a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.14% (2012: 11.3475%).
b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2012: 11.3475%).

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. BASIS OF PRESENTATION (Continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 25 Employee Benefits - issued December 2009
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality. The reasons for this anticipation is due to the following considerations:

Segment Reporting (GRAP 18 - issued March 2005): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as segmental reporting is not applicable to the municipality.

Related Party Disclosures (Revised) (GRAP 20): IPSAS 20 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 20.

Employee Benefits (GRAP 25 - issued December 2009): IAS 19 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 25.

BASIS OF PRESENTATION (Continued)

1. 1 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

Transfers between entities under common control (GRAP 105 - issued November 2010): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as no such transfers have ever been recorded.
Transfers between entities not under common control (GRAP 106 - issued November 2010): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as no such transfers have ever been recorded.
Mergers (GRAP 107 - issued November 2010): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as no such mergers have ever been recorded.

2. NON-DISTRIBUTABLE RESERVES

Following reserves are maintained in terms of specific requirements:

2. 1 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located, if such an obligation exists.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or service potential delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property, plant and equipment, excluding land and building and including infrastructure assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Infrastructure assets are stated at the depreciated replacement cost.
Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Revaluations are done every four years or when there is evidence that the fair value of land and buildings changed significantly, which every occurs first.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3. 2 Subsequent Measurement (Continued)

An increase in the carrying amount of land and buildings as well as Game as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.
When revalued assets are sold or retired, the amounts included in the revaluation reserve, in respect of that assets, are transferred to accumulated surplus or deficit.

Gain or loss on the disposal of assets, through compensation from third parties for items of property, plant and equipment that were impaired, lost or given up, is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited useful life. Depreciation on other assets is calculated on the straight line basis to allocate their depreciable amounts over their useful lives. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total value of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is in the condition and location necessary for it to be used in the manner intended by the municipality.

	Years		Years
Infrastructure		***Buildings***	5 - 30
Roads and Paving	10 - 50		
Electricity	10 - 30	***Other***	
Water	10 - 50	Specialist Vehicles	5 -15
Sewerage	10 - 50	Other Vehicles	5 -15
Landfill Sites	10 - 25	Office Equipment	3 - 10
		Furniture and Fittings	3 - 15
Community		Watercraft	10 - 15
Recreational Facilities	5 - 30	Bins and Containers	10 - 15
Security	5 - 30	Specialised Plant and Equipment	3 - 10
		Other Items of Plant and Equipment	3 - 10

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3. 6 Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment.

3. 7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

An intangible asset is a identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4. INTANGIBLE ASSETS (Continued)

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.
Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years. The residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

	Years
Intangible Asset	
Software	3 - 5

Intangible assets are annually tested for impairment. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount of the asset.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

6. INVESTMENT PROPERTY (Continued)

6. 1 Initial Recognition (Continued)

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (1 July 2009). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises. The circumstances surrounding the investment properties are considered annually to establish whether conditions and circumstances changed that may affect the fair value significantly. If such indications are identified, the investment properties are valued to establish the fair value thereof.

5. 3 Derecognition

Investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

6. BIOLOGICAL ASSETS

Biological assets and agricultural produce at the point of harvest are recognised and measured in accordance with GRAP 27 on Agriculture. Agricultural produce after harvest is recognised and measured in accordance with GRAP 12 on Inventory.

Biological assets are recognised when and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity;
- the fair value or cost of the asset can be measured reliably.

Where biological assets and agricultural produce are acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Biological assets and agricultural produce are initially and subsequently measured at their fair value less estimated point-of-sale costs and agricultural produce harvested from the entity's biological assets are measured at their fair value less estimated point-of-sale costs at the point of harvest.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, transfer taxes and duties but exclude transport and other costs necessary to get the assets to a market.

The fair value of biological assets is estimated by reference to the market value.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in the fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

In assessing whether there is any indication that an asset may be impaired, the municipality considers the following indications:
- during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- evidence is available of obsolescence or physical damage of an asset;
- significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and
- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

7. IMPAIRMENT OF ASSETS (Continued)

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The asset's value in use is determined by calculating the present value of the estimated future cash flows expected to be derived from the continuing use of the asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
▪ to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

7. 2 Impairment of Non-Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

In assessing whether there is any indication that an asset may be impaired, the municipality considers the following indications:

- cessation, or near cessation, of the demand or need for services provided by the asset;
- significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates;
- evidence is available of physical damage of an asset;
- significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- a decision to halt the construction of the asset before it is complete or in a usable condition; and
- evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

7. IMPAIRMENT OF ASSETS (Continued)

8 2 Impairment of Non-Cash Generating Assets (Continued)

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset’s remaining service potential.

The remaining service potential is determined by using the approach (as listed below) which is the most appropriate in measuring the value:

- **Depreciated replacement cost approach**: The present value of the remaining service potential of the asset is determined as the depreciated replacement cost of the asset. The replacement cost of the asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition.
- **Restoration cost approach**: This is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- **Service units approach:** The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

The redesignation of assets from a cash-generating asset to a non-cashgenerating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

8 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method
Amortised cost

8 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:
(a) derivatives;
(b) combined instruments that are designated at fair value
(c) instruments held for trading.
(d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
(e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

8 FINANCIAL INSTRUMENTS (continued)

9 1 Financial Assets - Classification (continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities* , the classification determining how they are measured. Financial liabilities may be measured at:
(i) Financial liabilities measured at fair value or
(ii) Financial liabilities measured at amortised cost
(iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as

8 3 Initial and Subsequent Measurement

8 3. 1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

9 FINANCIAL INSTRUMENTS (continued)

9 3 Initial and Subsequent Measurement (continued)

8 3. 2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8 4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

9 FINANCIAL INSTRUMENTS (continued)

8 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred

10. INVENTORIES

10. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-refundable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

10. 2 Subsequent Measurement

Consumable stores

Consumable stores are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the first-in-first-out basis. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

10. INVENTORIES (Continued)

10. 2 Subsequent Measurement (Continued)

Water inventory

Water is recognised as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, nett of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average cost method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

11. REVENUE RECOGNITION

11. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities’ activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

11. REVENUE RECOGNITION (Continued)

11. 1 General (Continued)

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

11. 2 Revenue from Exchange Transactions

11. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11. 2. 2 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:
- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

11. 2. 3 Tariff Charges

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits if applicable

11. REVENUE RECOGNITION (Continued)

11. 2 Revenue from Exchange Transactions (Continued)

11. 2. 4 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11. 2. 5 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

11. 3 Revenue from Non-exchange Transactions

Revenue comprises gross inflows of economic benefits or services potential received and receivables by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.
Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipients as specified or future economic benefits or service potential must be returned to the transferor.
Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.
Exchange transactions are transactions in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash,goods,service, or use of assets) to another entity in exchange.
Non-exchanged transactions that are not exchange transactions. In a non-exchange, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.
Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used but do not specify that future economic benefits or services potential is required to be returned to the transferor if not deployed as specified.
Stipulations on transferred assets are terms in laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset the municipality's external to the reporting entity.
Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.
As the municipality satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognized by the municipality.
When, as a result a non-exchange transaction, the municipality recognizes an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue.
When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind.

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

11. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11. REVENUE RECOGNITION (Continued)

11. 3 Revenue from Non-exchange Transactions (Continued)

11. 3. 2 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11. 3. 3 Government Grants and receipts

Equitable share allocations are recognised when the municipality has a right to receipt.

Conditional grants and receipts of a capital nature

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11. 3. 4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

12. PROVISIONS (Continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay and staff bonuses as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13. 2. 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13. EMPLOYEE BENEFITS (Continued)

13. 3 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance. Valuations are performed on an annual basis.

13. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 55 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

13. EMPLOYEE BENEFITS (Continued)

13. 3 Defined Benefit Plans (Continued)

13. 3. 4 Defined benefit pension plans (Continued)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the “corridor method”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

14. LEASES (Continued)

14. 1 The Municipality as Lessee (Continued)

Operating leases (Continued)

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts is recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. The difference between recognised income and receipts is recognised as an operating lease asset or liability.

14. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2011 in accordance with the requirements of GRAP 5 and ASB Directive 4. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Note 46 to the Annual Financial Statements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 35 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The Municipality furthermore considers related parties within the same sphere of government and will disclose these parties as such only if transactions occurred which were not at arm's length.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE INFORMATION

25. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided to these financial statements and form part of the Annual Financial Statements. The budget has been prepared on a comparable basis. Refer to Note 63.

25. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25. 3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the integrated development plan.
The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

28 CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

▪ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a spesific standard of GRAP.
▪ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
▪ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
▪ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
▪ Other commitments for contracts are either non-cancellable or only cancellable at significant cost contracts, and should relate to something other than the business of the municipality.

	2013	2012
	R	R

1. GENERAL INFORMATION

Mier Local Municipality (the municipality) is a local government institution in Rietfontein, Northern Cape Province, and is one of six local municipalities under the jurisdiction of the Siyanda District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2013 R	2012 R
Consumables Store	35 961	28 939
Maintenance Materials - at cost	680 655	657 516
Total Inventories	**716 616**	**686 455**

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

No Water Inventory could be measured as the municipality does not have sufficient programs or skills to measure the water levels at yearend.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	13 415 727	(13 016 344)	399 383
Refuse	4 446 949	(4 362 000)	84 950
Sewerage	3 870 570	(3 791 025)	79 545
Water	5 098 207	(4 863 319)	234 888
Other Receivables	1 332 350	(1 332 350)	-
Loan Instalments	717 280	(717 280)	-
Other Debtors	615 070	(615 070)	-
Total Receivables from Exchange Transactions	**14 748 078**	**(14 348 695)**	**399 383**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	11 338 496	(11 118 355)	220 140
Refuse	3 711 922	(3 644 646)	67 276
Sewerage	3 186 345	(3 136 897)	49 447
Water	4 440 230	(4 336 812)	103 417
Other Receivables	1 629 499	(1 475 962)	153 537
Loan Instalments	708 895	(679 533)	29 362
Other Debtors	920 604	(796 429)	124 175
Total Receivables from Exchange Transactions	**12 967 994**	**(12 594 317)**	**373 677**

Total Receivables from Exchange Transactions has been restated to correctly classify amounts. Refer to Note 36 on "Correction of Error" for details of the restatement.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The municipality receives applications that it processes. Deposits are not required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2013, the municipality is owed R5 102 106 (30 June 2012: R1 627 183) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

	2013	2012
	R	R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continue)

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Refuse:					
Gross Balances	(12 554)	50 592	48 922	4 359 989	4 446 949
Less: Provision for Impairment	12 314	(49 626)	(47 987)	(4 276 701)	(4 362 000)
Net Balances	**(240)**	**966**	**935**	**83 289**	**84 950**
Sewerage:					
Gross Balances	(10 927)	44 035	42 581	3 794 881	3 870 570
Less: Provision for Impairment	10 703	(43 130)	(41 706)	(3 716 892)	(3 791 025)
Net Balances	**(225)**	**905**	**875**	**77 990**	**79 545**
Water:					
Gross Balances	(14 199)	57 220	55 331	4 999 855	5 098 207
Less: Provision for Impairment	13 536	(54 548)	(52 747)	(4 769 560)	(4 863 319)
Net Balances	**(663)**	**2 672**	**2 584**	**230 295**	**234 888**
Other Receivables:					
Gross Balances	54 363	13 498	13 053	1 251 436	1 332 350
Less: Provision for Impairment	3 761	(15 158)	(14 657)	(1 306 296)	(1 332 350)
Net Balances	**58 125**	**(1 660)**	**(1 605)**	**(54 860)**	**(0)**

As at 30 June Receivables of R342 386 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	165 346	159 887	14 406 162	14 731 395
Less: Provision for Impairment	(162 462)	(157 098)	(14 069 449)	(14 389 009)
Net Balances	**2 884**	**2 789**	**336 713**	**342 386**

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Refuse:					
Gross Balances	42 185	42 784	50 053	3 576 900	3 711 922
Less: Provision for Impairment	(41 421)	(42 008)	(49 145)	(3 512 071)	(3 644 646)
Net Balances	**765**	**775**	**907**	**64 828**	**67 276**
Sewerage:					
Gross Balances	36 212	36 726	42 966	3 070 441	3 186 345
Less: Provision for Impairment	(35 650)	(36 156)	(42 299)	(3 022 792)	(3 136 897)
Net Balances	**562**	**570**	**667**	**47 649**	**49 447**
Water:					
Gross Balances	50 373	51 088	59 768	4 279 000	4 440 230
Less: Provision for Impairment	(49 287)	(49 986)	(58 479)	(4 179 060)	(4 336 812)
Net Balances	**1 086**	**1 102**	**1 289**	**99 940**	**103 417**
Other Receivables:					
Gross Balances	66 850	18 123	21 202	1 523 324	1 629 499
Less: Provision for Impairment	(16 774)	(17 012)	(19 902)	(1 422 273)	(1 475 962)
Net Balances	**50 076**	**1 111**	**1 299**	**101 051**	**153 537**

	2013	2012
	R	R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continue)

As at 30 June Receivables of R321 188 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	148 721	173 988	12 449 664	12 772 373
Less: Provision for Impairment	(145 163)	(169 826)	(12 136 197)	(12 451 185)
Net Balances	**3 558**	**4 162**	**313 468**	**321 188**

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2013				
Current:				
0 - 30 days	43 044	(69 284)	(26 646)	
Past Due:				
31 - 60 Days	189 277	20 482	3 360	
61 - 90 Days	180 896	21 895	3 292	
+ 90 Days	13 389 390	587 664	316 551	
Sub-total	13 802 607	560 758	296 557	-
Less: Provision for Impairment	(13 841 360)	(507 335)	-	
Total Trade Receivables by Customer Classification	**(38 752)**	**53 423**	**296 557**	**-**

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
Current:				
0 - 30 days	211 136	13 987	2 479	6 024
Past Due:				
31 - 60 Days	162 296	15 555	3 645	5 768
61 - 90 Days	173 655	31 334	8 274	5 817
+ 90 Days	11 111 114	622 402	271 247	323 261
Sub-total	11 658 201	683 278	285 646	340 870
Less: Provision for Impairment	(11 625 132)	(640 107)	-	(329 078)
Total Trade Receivables by Customer Classification	**33 070**	**43 171**	**285 646**	**11 792**

3.3 Reconciliation of the Provision for Impairment

	2013	2012
Balance at beginning of year	(12 594 317)	(8 394 805)
All Consumer Debtors	(12 594 317)	(8 394 805)
Assessment Rates Debtors	-	-
Impairment Losses recognised	(1 754 377)	(4 199 512)
All Consumer Debtors	(1 754 377)	(4 199 512)
Assessment Rates Debtors	-	-
Balance at end of year	**(14 348 694)**	**(12 594 317)**

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, magement believe that there is no further credit provision required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

	2013 R	2012 R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continue)

3.4 Ageing of impaired Receivables from Exchange Transactions

	2013 R	2012 R
Current:		
0 - 30 Days	(40 314)	143 132
Past Due:		
31 - 60 Days	162 462	145 163
61 - 90 Days	157 098	169 826
+ 90 Days	14 069 449	12 136 197
Total	**14 348 695**	**12 594 317**

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2013	Gross Balances R	Provision for Impairment R	Net Balances R
Assessment Rates Debtors	3 927 002	(2 143 352)	1 783 650
Public Works Grant (Bloodhound Project)	422 089	-	422 089
Sundry Debtors	3 576 786	(305 630)	3 271 155
Total Receivables from Non-exchange Transactions	**7 925 877**	**(2 448 982)**	**5 476 895**

As at 30 June 2012	Gross Balances R	Provision for Impairment R	Net Balances R
Assessment Rates Debtors	3 351 517	(2 036 769)	1 314 748
Sundry Debtors	518 586	(276 102)	242 485
Total Receivables from Non-exchange Transactions	**3 870 103**	**(2 312 871)**	**1 557 232**

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality. .

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	(11 086)	44 677	43 202	3 850 209	3 927 002
Less: Provision for Impairment	6 051	(24 385)	(23 580)	(2 101 438)	(2 143 352)
Net Balances	**(5 035)**	**20 292**	**19 622**	**1 748 771**	**1 783 650**
Sundry Debtors:					
Gross Balances	3 087 673	5 549	5 366	478 198	3 576 786
Less: Provision for Impairment	863	(3 477)	(3 362)	(299 654)	(305 630)
Net Balances	**3 088 536**	**2 072**	**2 003**	**178 544**	**3 271 155**

	2013	2012
	R	R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continue)

As at 30 June Receivables of R1 971 305 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	50 226	48 568	4 328 408	4 427 201
Less: Provision for Impairment	(27 862)	(26 942)	(2 401 092)	(2 455 896)
Net Balances	**22 364**	**21 626**	**1 927 315**	**1 971 305**

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	38 089	38 630	45 193	3 229 605	3 351 517
Less: Provision for Impairment	(23 147)	(23 476)	(27 464)	(1 962 681)	(2 036 769)
Net Balances	**14 942**	**15 154**	**17 728**	**1 266 924**	**1 314 748**
Sundry Debtors:					
Gross Balances	6 300	6 390	7 475	498 421	518 586
Less: Provision for Impairment	(3 138)	(3 182)	(3 723)	(266 058)	(276 102)
Net Balances	**3 162**	**3 207**	**3 752**	**232 363**	**242 485**

As at 30 June Receivables of R1 539 128 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	45 019	52 668	3 728 026	3 825 714
Less: Provision for Impairment	(26 658)	(31 187)	(2 228 740)	(2 286 585)
Net Balances	**18 361**	**21 480**	**1 499 287**	**1 539 128**

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2013				
Current:				
0 - 30 days	46 058	(1 411)	3 120 095	
Past Due:				
31 - 60 Days	25 418	5 687	19 121	
61 - 90 Days	24 579	5 499	18 490	
+ 90 Days	2 190 506	490 058	1 647 843	
Sub-total	2 286 561	499 833	4 805 549	-
Less: Provision for Impairment	(1 741 622)	(401 729)	-	
Total Rates Debtors by Customer Classification	**544 939**	**98 103**	**4 805 549**	**-**

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
Current:				
0 - 30 days	18 696	3 175	15 246	972
Past Due:				
31 - 60 Days	18 961	3 220	15 463	986
61 - 90 Days	22 182	3 767	18 090	1 154
+ 90 Days	1 585 216	269 186	1 292 739	82 465
Sub-total	1 645 055	279 347	1 341 538	85 577
Less: Provision for Impairment	(1 635 782)	(218 252)	(97 164)	(85 570)
Total Rates Debtors by Customer Classification	**9 272**	**61 095**	**1 244 373**	**7**

	2013 R	2012 R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continue)

4.3 Reconciliation of Provision for Impairment

	2013 R	2012 R
Balance at beginning of year	(2 312 871)	(2 727 872)
Other Debtors	(2 312 871)	-
Assessment Rates Debtors	-	(2 727 872)
Impairment Losses recognised	(136 111)	415 001
Other Debtors	-	-
Assessment Rates Debtors	(136 111)	415 001
Balance at end of year	**(2 448 982)**	**(2 312 871)**

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

The following Loans and Receivables are included in the total amount of the Provision for Impairment:

	2013 R	2012 R
Assessment Rates Debtors	(1 685 702)	(2 036 769)
Projects	-	-
Recoverable Works	-	-
Short-term Loans	-	-
Sundry Debtors	(763 280)	(276 102)
Total Provision for Impairment on Receivables from Non-exchange Transactions	**(2 448 982)**	**(2 312 871)**

5. VAT RECEIVABLE

	2013 R	2012 R
Vat Receivable.	3 430 501	2 135 778
	3 430 501	**2 135 778**

VAT Receivable has been restated to correctly classify amounts. Refer to Note 36 on "Correction of Error" for details of the restatement.

Vat is payable on the receipts basis. Only once payment is reveived from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

	2013	2012
	R	R

6. CASH AND CASH EQUIVALENTS

	2013 R	2012 R
Current Investments	18 532	6 993
Bank Accounts	4 912 360	-
Bank Overdraft	-	(1 705 192)
Total Bank, Cash and Cash Equivalents	**4 930 892**	**(1 698 199)**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

	2013 R	2012 R
Notice Deposits	18 532	6 993
Total Current Investment Deposits	**18 532**	**6 993**

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5,54 % to 5,68 % (2011: 5,40 % to 6,53 %)per annum.

	2013 R	2012 R
Deposits attributable to Unspent Conditional Grants	18 532	6 993
Total Deposits attributable to Commitments of the Municipality	**18 532**	**6 993**

6.2 Bank Accounts

	2013 R	2012 R
Cash in Bank	4 912 360	-
Bank Overdraft	-	(1 705 192)
Total Bank Accounts	**4 912 360**	**(1 705 192)**

The Municipality has the following bank accounts:

	2013 R	2012 R
Primary Bank Account		
Cash book balance at beginning of year	(1 705 192)	(133 584)
Cash book balance at end of year	4 912 360	(1 705 192)
Standard Bank - Upington Branch - Account Number 40 681 092		
Bank statement balance at beginning of year	15 213	15 213
Bank statement balance at end of year	4 913 158	5 215

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

	2013 R	2012 R

7. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

	2013 R	2012 R
Balance at beginning of year	50 323	22 459
Operating Lease Revenue effected	(190 393)	27 864
Total Operating Lease Receivables	**(140 070)**	**50 323**

7.1 Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the municipality with lease terms of between 3 to 5 (2011: 3 to 5) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its investment property, all of which is leased out under operating leases, amounted to R408 915 (2011: R348 019).

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

	2013 R	2012 R
Up to 1 year	199 401	9 833
2 to 5 years	(281 962)	(10 750)
More than 5 years	(49 455)	(49 405)
Total Operating Lease Arrangements	**(132 015)**	**(50 323)**

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase in current year income of R196 447 (2012: R28 448).

The following payments have been recognised for Rental Income and Repairs and Maintenance Expense in the Statement of Financial Performance:

	2013 R	2012 R
Rental Income	196 447	28 448
Repairs and Maintenance	-	-

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

8 PROPERTY, PLANT AND EQUIPMENT

30 June 2013

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Other	Leased Assets	Game	Total
	R	R	R	R	R		R
Carrying values at 01 July 2012	**242 158 202**	**13 019 188**	**85 764 701**	**1 464 114**	**97 211**	**-**	**342 503 416**
Cost	242 158 202	20 192 816	197 180 209	2 373 004	196 364	-	462 100 594
- *Completed Assets*	*242 158 202*	*18 787 066*	*192 294 559*	*2 373 004*	*196 364*	-	*455 809 194*
- *Under Construction*	-	*1 405 750*	*4 885 650*	-	-	-	*6 291 401*
Accumulated Impairment Losses	-	-	-	-	(40 322)	-	(40 322)
Accumulated Depreciation:	-	(7 173 628)	(111 415 508)	(908 889)	(58 831)	-	(119 556 857)
- *Cost*	-	*(7 173 628)*	*(111 415 508)*	*(908 889)*	*(58 831)*	-	*(119 556 857)*
- *Revaluation*	-	-	-	-	-	-	-
Acquisitions	-	496 270	2 450 166	71 690	-	-	3 018 127
Capital under Construction - Additions:	-	-	1 985 966	-	-	-	1 985 966
- *Cost*	-	-	*1 985 966*	-	-	-	*1 985 966*
Additions	-	-	*1 985 966*				*1 985 966*
Increases in Revaluation	-	-	-	-	-	6 145 714	6 145 714
Depreciation:	-	(797 756)	(7 520 955)	(344 476)	(44 095)	-	(8 707 283)
- *Based on Cost*		*(797 756)*	*(7 520 955)*	*(344 476)*	*(44 095)*		*(8 707 283)*
Carrying value of Disposals:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
Carrying value of Tranfers:	(10 874 217)	-	-	-	-	3 216 382	(7 657 836)
- Cost	(10 874 217)	-	-	-	-	3 216 382	(7 657 836)
Impairment Losses	-	-	(58 753)	(4 579)	-	-	(63 332)
Capital under Construction - Completed	-	-	-	-	-	-	-
Carrying values at 30 June 2013	**231 283 985**	**12 717 702**	**82 621 125**	**1 186 749**	**53 117**	**9 362 095**	**337 224 773**
Cost	231 283 985	20 689 087	201 616 342	2 444 694	196 364	3 216 382	459 446 852
- *Completed Assets*	*231 283 985*	*19 283 336*	*194 744 725*	*2 444 694*	*196 364*	*3 216 382*	*451 169 485*
- *Under Construction*	-	*1 405 750*	*6 871 617*	-	-	-	*8 277 367*
Revaluation	-	-	-	-	-	6 145 714	6 145 714
Accumulated Impairment Losses	-	-	(58 753)	(4 579)	(40 322)	-	(103 653)
Accumulated Depreciation:	-	(7 971 385)	(118 936 464)	(1 253 365)	(102 925)	-	(128 264 139)
- *Cost*	-	*(7 971 385)*	*(118 936 464)*	*(1 253 365)*	*(102 925)*	-	*(128 264 139)*
- *Revaluation*	-	-	-	-	-	-	-

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2012

Reconciliation of Carrying Value

Description	Land	Buildings	Infra Structure	Other	Leased Assets	Game	Total
	R	R	R	R	R		R
Carrying values at 01 July 2011	**242 136 755**	**12 364 921**	**85 030 115**	**1 396 267**	**75 512**	**-**	**341 003 568**
Cost	242 136 755	18 787 066	189 151 998	1 973 572	139 968	-	452 189 359
- *Completed Assets*	*242 136 755*	*18 787 066*	*187 934 889*	*1 973 572*	*139 968*		*450 972 250*
- *Under Construction*	-	-	*1 217 109*	-	-	-	*1 217 109*
Accumulated Impairment Losses	-	-	-	-	(40 322)		(40 322)
Accumulated Depreciation:	-	(6 422 145)	(104 121 883)	(577 305)	(24 135)	-	(111 145 469)
- *Cost*		*(6 422 145)*	*(104 121 883)*	*(577 305)*	*(24 135)*		*(111 145 469)*
- *Revaluation*	-	-	-	-	-	-	-
Acquisitions	21 447	-	4 359 670	399 431	56 395		4 836 944
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	1 405 750	3 668 541	-	-	-	5 074 291
- *Cost*	-	*1 405 750*	*3 668 541*	-	-	-	*5 074 291*
Additions	-	*1 405 750*	*3 668 541*	-	-	-	*5 074 291*
Transfer in	-	-	-	-	-	-	-
Depreciation:	-	(751 483)	(7 293 626)	(331 584)	(34 696)	-	(8 411 388)
- *Based on Cost*	-	*(751 483)*	*(7 293 626)*	*(331 584)*	*(34 696)*		*(8 411 388)*
- *Based on Revaluation*	-	-	-	-	-	-	-
Carrying values at 30 June 2012	**242 158 202**	**13 019 188**	**85 764 701**	**1 464 114**	**97 211**	**-**	**342 503 416**
Cost	242 158 202	20 192 816	197 180 209	2 373 004	196 364	-	462 100 594
- *Completed Assets*	*242 158 202*	*18 787 066*	*192 294 559*	*2 373 004*	*196 364*	-	*455 809 194*
- *Under Construction*	-	*1 405 750*	*4 885 650*	-	-	-	*6 291 401*
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	(40 322)	-	(40 322)
Accumulated Depreciation:	-	(7 173 628)	(111 415 508)	(908 889)	(58 831)	-	(119 556 857)
- *Cost*	-	*(7 173 628)*	*(111 415 508)*	*(908 889)*	*(58 831)*	-	*(119 556 857)*
- *Revaluation*	-	-	-	-	-	-	-

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment have been restated to correctly classify amounts. Refer to Note 36 on "Correction of Error" for details of the restatement.

The leased Property, Plant and Equipment is secured as set out in Note 18.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

	2013	2012
	R	R

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

8.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

8.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

8.4 Impairment of Property, Plant and Equipment

The amount of R63 332 (2012: R0) disclosed for impairment losses on Property, Plant and Equipment is in respect of an individual amount of impairment losses applicable to a printer damaged:

	2013 R	2012 R
Infrastructure: Roads	58 753	-
Other Assets: Office Equipment	4 579	-
Total Impairment of Property, Plant and Equipment	**63 332**	**-**

8.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

There was no change (2011/12: R0) in the estimated useful life of various assets of the municipality for the financial year.

8.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

9 INTANGIBLE ASSETS

	2013 R	2012 R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	**365 110**	**817 278**

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2012	**817 278**	**817 278**
Cost	1 808 675	1 808 675
Accumulated Amortisation	(991 396)	(991 396)
Amortisation:	(452 169)	(452 169)
Purchased	(452 169)	(452 169)
Carrying values at 30 June 2013	**365 110**	**365 110**
Cost	1 808 675	1 808 675
Accumulated Amortisation	(1 443 565)	(1 443 565)

	2013 R	2012 R

9 INTANGIBLE ASSETS (continue)

	Computer Software	Total
Carrying values at 01 July 2011	**1 260 000**	**1 260 000**
Cost	1 800 000	1 800 000
Accumulated Amortisation	(540 000)	(540 000)
Acquisitions:	8 675	8 675
Purchased	8 675	8 675
Amortisation:	(451 396)	(451 396)
Purchased	(451 396)	(451 396)
Carrying values at 30 June 2012	**817 278**	**817 278**
Cost	1 808 675	1 808 675
Accumulated Amortisation	(991 396)	(991 396)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 29).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

9.1 Significant Intangible Assets

The municipality owns computer software with significant values. The carrying amount of the IMIS system was R160 000 (2012: R360 000) and will be fully amortised in 9 months (2012: 22 months), while the SAMRAS system has a carrying amount of R200 000 (2012: R450 000) and will be fully amortised in 9 months (2012: 22 months).

9.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

9.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

	2013 R	2012 R

10 INVESTMENT PROPERTY

The municipality did not have any property to be classified as Investment Property in terms of its Accounting Policies and Asset Management Policy at year-end.

	2013 R	2012 R
At Fair Value		
At Cost less Accumulated Depreciation	**8 565 376**	**6 938 432**

The movement in Investment Property is reconciled as follows:

	2013 R	2012 R
Carrying values at 1 July	**6 938 432**	**6 938 432**
Fair Value	6 938 432	6 938 432
Net Gains / (Losses) from Fair Value Adjustments	(8 874 217)	-
Disposals during the Year:	(373 056)	-
At Cost	(373 056)	-
Transfers during the Year:	10 874 217	-
At Cost	10 874 217	-
Carrying values at 30 June	**8 565 376**	**6 938 432**
Cost	10 501 161	-
Fair Value	(1 935 785)	6 938 432
Estimated Fair Value of Investment Property at 30 June	**8 565 376**	**6 938 432**

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

	2013 R	2012 R
Rental Revenue earned from Investment Property	710 648	408 915
Direct Operating Expenses - incurred to generate rental revenue	-	250
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

10.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

The municipality's Investment Property is valued annually at 30 June at fair value by DCR Consultants, an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The following assumptions were used:

	2013	2012
Discount Rate	7.80%	6.74%
Other	-	-

10.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

	2013 R	2012 R
11 BIOLOGICAL ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	**-**	**3 216 382**

The municipality's Biological Assets consist of a 4 species of game. Game is measured at fair value. The fair value was determine by the price per specie on the latest auction prices less sales commission.

The movement in Biological Assets is reconciled as follows:

	Game	Total
Carrying values at 01 July 2012	**3 216 382**	**3 216 382**
Cost / Fair Value	3 216 382	3 216 382
Gains from Changes in Fair Value	-	-
Transfers during the Year:	(3 216 382)	(3 216 382)
At Cost	(3 216 382)	(3 216 382)
Carrying values at 30 June 2013	**-**	**-**
Cost	-	-

	Game	Total
Carrying values at 01 July 2011	**2 843 833**	**2 843 833**
Cost / Fair Value	2 843 833	2 843 833
Disposals during the Year:	(147 907)	(147 907)
At Cost	(147 907)	(147 907)
Losses from Changes in Fair Value	520 455	520 455
Carrying values at 30 June 2012	**3 216 382**	**3 216 382**
Cost	3 216 382	3 216 382

At 30 June 2012 game held for sale comprised 437 Gemsbuck, 1 964 Springbuck, 544 Eland, 103 Rooihartebees, 110 Bluewildebees and 283 Ostriches (2011: 217 Gemsbuck, 844 Springbuck, 33 Eland and 326 Ostriches). During the year the municipality transfered all Biological Assets to Property, Plant and Equipment did not sell any of the game as all Biological Assets are held under an Opperation Lease. (2011: 41 Gemsbuck, 167 Springbuck, 6 Eland and 3 Ostriches).

All of the municipality's Biological Assets are held under freehold interests and no Biological Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Biological Assets of the municipality.

Refer to Appendix "B" for more detail on Biological Assets.

11.1 Biological Assets carried at Fair Value

The municipality's Biological Assets is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar assets.

11.2 Aggregate gain / (loss) on Biological Assets

The aggregate gain / (loss) on Biological Assets arising during the current period on initial recognition is made up as follows:

Game	7 050 428	520 455
Total gain / (loss) on initial recognition	**7 050 428**	**520 455**

	2013 R	2012 R

11 BIOLOGICAL ASSETS (continue)

11.3 Agricultural Produce

The Fair Value less Estimated Point-of-Sale of Biological Assets harvested during the year is made up as follows:

	2013 R	2012 R
Game	-	3 216 382
Total gain / (loss) on fair value less point-of-sale costs	**-**	**3 216 382**

The Fair Value of the game is based on the price which is obtainable in the market per live animal (the assumption that the game is of similar quality than that for which the measurement has been obtained). The value per live animal has been obtained from SAN Parks, an industry accepted reliable source.

The costs are based on expected future market prices as at 30 June 2013.

11.4 Non-financial Information

	2013 R	2012 R
Quantities of each Biological Asset:		
Game	3 423	1 671

12 PROVISIONS

	2013 R	2012 R
Current Portion of Non-Current Provisions (See Note 18):	2 567 519	2 763 911
Long-term Service	2 914	-
Rehabilitation of Land-fill Sites	2 564 605	2 763 911
Total Provisions	**2 567 519**	**2 763 911**

Provisions have been restated to correctly classify amounts. Refer to Note 34 on "Correction of Error" for details of the restatement.

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Land-fill Sites R	Long-term Service R
30 June 2013		
Balance at beginning of year	2 763 911	-
Transfer from non-current	(199 306)	2 914
Balance at end of year	**2 564 605**	**2 914**

	Land-fill Sites R	Long-term Service R
30 June 2012		
Balance at beginning of year	-	-
Transfer from non-current	2 763 911	-
Balance at end of year	**2 763 911**	**-**

	2013 R	2012 R
13 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	8 232 295	6 096 010
Retentions	104 703	109 457
Total Payables	**8 336 998**	**6 205 467**

Payables from Exchange transactions have been restated to correctly classify amounts due for Creditors not accrued for previously. Refer to Note 36 on "Correction of Error" for details of the restatement.

Furthermore, *Payables* have been restated to correctly classify amounts held for Retentions erroneously written-off in the previous financial year. Refer to Note 36 on "Correction of Error" for details of the restatement.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

14 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2013	2012
Staff Bonuses	133 420	111 901
Staff Leave Accrued	231 663	259 507
Sundry Deposits	43 703	371 579
Other Creditors	290 113	301 584
Total Payables	**698 899**	**1 044 571**

Payables from Non - Exchange have been restated to correctly classify amounts due for Creditors not accrued for previously. Refer to Note 36 on "Correction of Error" for details of the restatement.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.
The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2013	2012
15.1 Conditional Grants from Government	**10 980 549**	**4 405 557**
National Government Grants	7 814 674	3 673 067
Provincial Government Grants	33 418	61 420
Other Spheres of Government	3 132 458	671 070
Total Conditional Grants and Receipts	**10 980 549**	**4 405 557**

Unspent Conditional Grants and Receipts have been restated to correctly classify amounts due for Creditors not accrued for previously. Refer to Note 36 on "Correction of Error" for details of the restatement.

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 21 for the reconciliation of Grants from Government and Note 22 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

An amount of R4 800 000 as been withheld for the unspent portion of 2011 of which R1 602 000 (2011: R2 240 801) has been deducted from the Equitable Share 2013. The remaining amount will be deducted from the 2014 Equitable Share.

Refer to Appendix "F" for more detail on Conditional Grants.

16 LONG-TERM LIABILITIES

	2013 R	2012 R
Annuity Loans	935 215	882 051
Finance Lease Liabilities	74 100	127 287
Sub-total	1 009 315	1 009 338
Less: Current Portion transferred to Current Liabilities:-	898 199	583 524
Annuity Loans	857 336	527 796
Finance Lease Liabilities	40 863	55 727
Total Long-term Liabilities (Neither past due, nor impaired)	**111 116**	**425 814**

16.1 SummaryofArrangements

Annuity Loans are repaid over periods varying from 2 to 11 (2012: 1 to 12) years and at interest rates varying from 5,00% - 7.00% (2012: 5,00% - 7.00%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to Computer and Office Equipment with lease terms of 2 - 5 years (2011: 2- 5) years. The effective interest rate on Finance Leases is between 8.5% and 9.5% (2011: 8.5% and 9.5%). Capitalised Lease Liabilities are secured over the items of equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

16.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:
Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2011: 5 years). The effective interest rate on Finance Leases is between 8.5% and 9.5% (2011: 8.5% and 9.5%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
Amounts payable under finance leases:				
Within one year	45 706	66 317	45 706	66 317
In the second to fifth years, inclusive	35 950	80 356	35 950	80 356
Over five years	-	-	-	-
	81 656	146 672	81 656	146 672
Less: Future Finance Obligations	7 555	19 385	7 555	19 385
Present Value of Minimum Lease Obligations	**74 100**	**127 287**	**74 100**	**127 287**
Less: Amounts due for settlement within 12 months (Current Portion)			40 863	55 727
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			33 237	33 237

The municipality has finance lease agreements for the following significant classes of assets:
- Office Equipment
- Vehicles

	2013 R	2012 R

16 LONG-TERM LIABILITIES (continue)

Included in these classes are the following significant leases:

(i) Dell Servers and IT Equipment	R 382 741	R 382 741
- Installments are payable quarterly in advance		
- Average period outstanding	30 months	30 months
- Average effective interest rate	9.42%	9.42%
- Average quarterly installment	R 12 822.35	R 12 822.35

16.3 Breach of Loan Agreement

During the current year the municipality did not make any loan repayments on a long term loan from the Development Bank of South Africa with a carrying value at year end of R935 215

17 NON-CURRENT PROVISIONS

	2013	2012
Provision for Long Service Awards	161 684	110 465
Provision for Rehabilitation of Land-fill Sites	15 803 948	17 498 012
Total Non-current Provisions	**15 965 632**	**17 608 477**

The movement in Non-current Provisions are reconciled as follows:

30 June 2013	**Long-service Awards R**	**Land-fill Sites R**
Balance at beginning of year	110 465	20 261 923
Current-service Cost	32 846	(1 893 370)
Interest Cost	12 593	-
Expenditure incurred	31 676	-
Actuarial (Gain)/Loss Recognised	2 360	-
Expected Employer Benefit Vestings	(25 342)	-
	164 598	18 368 553
Transfer to current provisions	(2 914)	(2 564 605)
Balance at end of year	**161 684**	**15 803 948**

30 June 2012	**Long-service Awards R**	**Land-fill Sites R**
Balance at beginning of year	41 514	19 891 061
Current-service Cost	27 727	370 862
Interest Cost	12 340	-
Expenditure incurred	31 676	-
Actuarial (Gain)/Loss Recognised	19 805	
Expected Employer Benefit Vestings	(22 597)	-
	110 465	20 261 923
Transfer to current provisions	-	(2 763 911)
Balance at end of year	**110 465**	**17 498 012**

Non-Current Provisions have been restated to correctly classify amounts due for Creditors not accrued for previously. Refer to Note 36 on "Correction of Error" for details of the restatement.

	2013	2012
	R	R

17 NON-CURRENT PROVISIONS (continue)

17.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 37 (2012: 39) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2013 is estimated to be R32 846, whereas the cost for the ensuing year is estimated to be R972 461 (30 June 2012: R27 727 and R32 846 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2013	2012
Discount Rate	6.45%	7.78%
Cost Inflation Rate	5.97%	6.27%
Net Effective Discount Rate	46.00%	1.42%
Expected Return on Plan Assets	8.00%	8.00%
Expected Rate of Salary Increase	6.50%	6.50%
Expected Return on Reimbursement Rights	1.41%	1.41%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

	2013	2012
Balance at the beginning of the year	110 465	41 514
Current service costs	32 846	27 727
Interest cost	12 593	12 340
Contributions from plan participants		31 676
Past-service costs		-
Benefits paid	(25 342)	(22 597)
Actuarial losses / (gains)	2 360	19 805
Losses / (gains) on curtailments	-	-
Transitional Liability Recognised	31 676	-
Present Value of Fund Obligation at the end of the Year	**164 598**	**110 465**
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	**164 598**	**110 465**

The amounts recognised in the Statement of Financial Position are as follows:

	2013	2012
Present value of fund obligations	164 598	110 465
	164 598	110 465
Unfunded Accrued Liability	164 598	110 465
Total Benefit Liability	**164 598**	**110 465**

The amounts recognised in the Statement of Financial Performance are as follows:

	2013	2012
Current service cost	32 846	27 727
Interest cost	12 593	12 340
Transitional Liability Recognised	31 676	-
Actuarial losses / (gains)	2 360	19 805
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	**79 475**	**59 872**

	2013	2012
	R	R

17 NON-CURRENT PROVISIONS (continue)

The history of experienced adjustments is as follows:

	2013	2012	2011	2010	2009
	R	R	R	R	R
Present Value of Defined Benefit Obligation	164 598	110 465	41 514	-	-
Fair Value of Plan Assets	-	-	-	-	-
Deficit	**164 598**	**110 465**	**41 514**	**-**	**-**
Experienced adjustments on Plan Liabilities	379 886	204 219	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

	2013	2012
Increase:		
Effect on the aggregate of the current service cost and the interest cost	48 300	50 050
Effect on the defined benefit obligation	49 800	47 087
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	42 100	38 073
Effect on the defined benefit obligation	36 100	43 784

The municipality expects to make a contribution of R1 428 824 (2012: R1 231 052) to the defined benefit plans during the next financial year.

The transitional Defined Benefit Liabilities for Long Service Awards have been recognised in the Annual Financial Statements of the municipality as at 30 June 2008 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2008.

17.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R1,5 million to restore the site at the end of its useful life, estimated to be in 2008. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

The provision for rehabilitation are reconciled as follows :

The movement in Non-current Provisions are reconciled as follows:

Landfill site	2013	2012
Balance at beginning of year	20 162 216	19 891 061
Contributions in current year	(1 893 370)	271 155
Balance of landfill site	**18 268 846**	**20 162 216**

The council will incur rehabilitation cost on its seven dumping/landfill sites over the period 2012/13 up to 2018/19. Provision has been made for the net present value of this cost.

Proposed rehabilitation	2013	2012
ASKHAM	2 352 251	2 697 824
GROOT MIER	2 256 476	2 606 807
PHILANDERSBRON	2 493 701	2 833 502
SWARTKOPDAM	1 783 833	2 159 882
RIETFONTEIN (New)	2 958 505	2 510 453
WELKOM	2 145 276	2 499 824
OU RIETFONTEIN	1 529 480	1 596 953
NOENIEPUT	1 035 124	1 166 958
NOENIEPUT(NEW)	1 813 908	2 189 720
	18 368 553	**20 261 923**

	2013 R	2012 R
18 RESERVES		
Revaluation Reserve	6 145 714	-
Total Reserves	**6 145 714**	**-**

18.1 Revaluation Reserve

The Revaluation Reserve arises on the revaluation of Game classified as Property, Plant & Equipment. Where revalued Game are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made where they are in accordance with the requirements of the municipality's accounting Policy and relevant case law. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's Accounting policy. These restrictions do not apply to any amounts transferred to Accumulated Surplus. The Council do not currently intend to make any distribution from the Revaluation Reserve.

The following restrictions are placed on the distribution of the balance of the reserve:

Reconciliation of the Revaluation Reserve:

	2013 R	2012 R
Balance at beginning of year	-	-
Increases in Revaluation	6 145 714	-
Balance at end of year	**6 145 714**	**-**

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

19 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

	2013 R	2012 R
Accumulated Surplus / (Deficit) due to the results of Operations	315 264 849	323 543 453
Total Accumulated Surplus	**315 264 849**	**323 543 453**

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Notes 36 on "Correction of Error" for details of the restatements.

20 PROPERTY RATES

	Actual Levies	
Property Rates	919 699	701 467
Total Property Rates	**919 699**	**701 467**
Attributable to:		
Continuing Operations	919 699	701 467
	919 699	**701 467**

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

A uniform rate of 1,3100 c/R (2011/12: 1,2000 c/R) is applied on property valuations in terms of the Property Rates Act to determine assessment rates.
An general rate is applied as follows to property valuations to determine property rates:

- Residential Properties: 0,8933 c/R (2011/12: 0,8427 c/R)
- Business Properties: 1,7865 c/R (2011/12: 1,6854 c/R)
- Agricultural Properties: 0,2233 c/R (2011/12: 0,21074 c/R)

A rebate of 40,00% (2011/12: 40,00%) was allowed on residential properties whilst a discount of 30,00% (2011/12: 30,00%) was granted on properties owned by the State.

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

	2013 R	2012 R

21 GOVERNMENT GRANTS AND SUBSIDIES

	2013 R	2012 R
National Equitable Share	9 959 000	8 620 000
Operational Grants	9 959 000	8 620 000
Conditional Grants	16 872 719	15 115 286
National Government: FINANCE MANAGEMENT GRANT	1 500 000	1 450 000
National Government: MIG	4 947 713	9 046 743
National Government: MSIG	800 000	790 000
National Government: DWAF	2 179	259 428
National Government: Department of Arts and Culture	192 500	346 000
National Government: EPWP - Bloodhound Project	5 169 789	3 090 177
National Government: National: Department of Housing	648 041	4 919
Provincial Government: DEPT. PUBLIC WORKS	1 097 428	77 288
Local Government: District Municipality	1 647 000	-
Other Government: Other	868 068	50 731
Total Government Grants and Subsidies	**26 831 719**	**23 735 286**
Government Grants and Subsidies:		
Conditional Grants - Capital	4 947 713	9 046 743
Conditional Grants - Operational	9 432 506	3 223 115
Unconditional Grants - Operational	12 451 500	11 206 000
Total Government Grants and Subsidies	**26 831 719**	**23 475 858**
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	11 925 006	5 809 115
Conditions met - transferred to Revenue: Capital Expenses	4 947 713	9 306 171
Total Transfers	**16 872 719**	**15 115 286**
Attributable to:		
Continuing Operations	26 831 719	23 735 286
	26 831 719	**23 735 286**

Operational Grants:

21.1 National: Equitable Share	**9 959 000**	**8 620 000**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R166 (2012: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

Conditional Grants:

21.2 National: Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	9 959 000	8 620 000
Conditions met - transferred to Revenue: Operating Expenses	(9 959 000)	(8 620 000)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.

21.3 National: FMG Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 500 000	1 450 000
Conditions met - transferred to Revenue: Operating Expenses	(1 500 000)	(1 450 000)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

	2013 R	2012 R

21 GOVERNMENT GRANTS AND SUBSIDIES (continue)

21.4 National: MIG Funds

Balance unspent at beginning of year	3 673 679	6 823 195
Current year receipts	11 384 000	9 385 000
Correction to Opening Balance - Amount deducted as per National Treasury	(1 602 000)	(2 240 801)
Conditions met - transferred to Revenue: Capital Expenses	(4 947 713)	(9 046 743)
Conditions met - transferred to Revenue: Own Income	(693 292)	(1 246 973)
Conditions still to be met - transferred to Liabilities (see Note 15)	**7 814 674**	**3 673 679**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. An amount of R4 800 000 as been withheld for the unspent portion of 2011 of which R1 602 000 (2011: R2 240 801) has been deducted from the Equitable Share 2013. The remaining amount will be deducted from the 2014 Equitable Share.

21.5 National: MSIG Funds

Balance unspent at beginning of year	-	-
Current year receipts	800 000	790 000
Conditions met - transferred to Revenue: Operating Expenses	(800 000)	(790 000)
Conditions still to be met - transferred to Liabilities (see Note 15)	**-**	**-**

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

21.6 National: Department Water Affairs (DWA)

Balance unspent at beginning of year	6 829	(7 788)
Current year receipts	-	310 365
Conditions met - transferred to Revenue: Operating Expenses	(2 179)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(259 428)
Conditions met - transferred to Revenue: Own Income	(305)	(36 320)
Conditions still to be met - transferred to Liabilities (see Note 15)	**4 344**	**6 829**

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality, the refurbishment of water infrastructure. No funds have been withheld.

21.7 National: Department of Arts and Culture.

Balance unspent at beginning of year	-	-
Current year receipts	192 500	346 000
Conditions met - transferred to Revenue: Operating Expenses	(192 500)	(346 000)
Conditions still to be met - transferred to Liabilities (see Note 15)	**-**	**-**

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

21.8 National: EPWP - Bloodhound Project.

Balance unspent at beginning of year	660 967	185 865
Current year receipts	4 086 733	3 615 165
Conditions met - transferred to Revenue: Operating Expenses	(5 169 789)	(3 090 177)
Conditions met - transferred to Revenue: Own Income	-	(49 886)
Conditions still to be met - transferred to Liabilities (see Note 15)	**(422 089)**	**660 967**

This grant was received towards to Bloodhound Speed track project at Hakskeenpan. No funds have been withheld.

21.9 National: Department of Housing.

Balance unspent at beginning of year	61 420	67 028
Current year receipts	710 764	-
Conditions met - transferred to Revenue: Operating Expenses	(648 041)	(4 919)
Conditions met - transferred to Revenue: Own Income	(90 726)	(689)
Conditions still to be met - transferred to Liabilities (see Note 15)	**33 418**	**61 420**

No funds have been withheld.

	2013 R	2012 R

21 GOVERNMENT GRANTS AND SUBSIDIES (continue)

21.10 Provincial: Dept. Public Works (Nala).

Balance unspent at beginning of year	3 274	(264 246)
Current year receipts	4 222 268	344 809
Conditions met - transferred to Revenue: Operating Expenses	(1 097 428)	(77 288)
Conditions still to be met - transferred to Liabilities (see Note 15)	**3 128 114**	**3 274**

No funds have been withheld.

21.11 Local Government: District Municipality.

Balance unspent at beginning of year	-	-
Current year receipts	1 647 000	-
Conditions met - transferred to Revenue: Operating Expenses	(1 647 000)	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**-**	**-**

Siyanda District municipalty granted Mier Local Municipality the amount of R1 657 000 for operation expenses.

21.12 Other Government: Other.

Balance unspent at beginning of year	-	-
Current year receipts	868 068	50 731
Conditions met - transferred to Revenue: Operating Expenses	(868 068)	(50 731)
Conditions still to be met - transferred to Liabilities (see Note 15)	**-**	**-**

The municipality receives grants from other spheres of government for urban greening in the municipal area. The grant was utilised for this purpose. No funds have been withheld.

20.13 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2013), government grant funding is expected to increase over the forthcoming three financial years.

22 PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	39 649	402 354
Total Public Contributions and Donations	**39 649**	**402 354**
Public Contributions and Donations:		
Other Donations	39 649	402 354
Total Public Contributions and Donations	**39 649**	**402 354**
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	39 649	402 354
Total Transfers	**39 649**	**402 354**
Attributable to:		
Continuing Operations	39 649	402 354
	39 649	**402 354**

Public Contributions and Donations have been restated to correctly classify revenue to be included in the category of Public Contributions and Donations. Refer to Note 36 on "Correction of Error" for details of the restatement.

Reconciliation of Conditional Public Contributions and Donations:

22.1 Development Contributions

Balance unspent at beginning of year	-	-
Current year receipts	39 649	402 354
Conditions met - transferred to Revenue: Operating Expenses	(39 649)	(402 354)
Conditions still to be met - transferred to Liabilities (see Note 15)	**-**	**-**

The Municipality received a bakkie from Public Works to provide municipal services. The donations were utilised for this purpose. No funds have been withheld.

	2013 R	2012 R
23 SERVICE CHARGES		
Sale of Water	1 056 763	891 848
Refuse Removal	1 046 993	1 484 874
Sewerage and Sanitation Charges	806 635	709 165
Total Service Charges	**2 910 391**	**3 085 888**
Attributable to:		
Continuing Operations	2 910 391	3 085 888
	2 910 391	**3 085 888**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

	2013 R	2012 R
24 RENTAL OF FACILITIES AND EQUIPMENT		
Operating Lease Rental Revenue:		
- Investment Property	563 809	411 480
Rental Revenue from Buildings	68 272	72 735
Rental Revenue from Land	24 998	37 269
Rental Revenue from Other Facilities	1 813	26 687
Total Rental of Facilities and Equipment	**658 892**	**548 171**
Attributable to:		
Continuing Operations	658 892	548 171
	658 892	**548 171**

Rental of Facilities and Equipment has been restated to correctly classify amounts. Refer to Note 36 on "Correction of Error" for details of the restatement.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

	2013 R	2012 R
25 INTEREST EARNED		
External Investments:		
Investments	50 605	98 899
	50 605	**98 899**
Total Interest Earned	**50 605**	**98 899**

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Avaliable-for-Sale Financial Assets	50 605	98 899
	50 605	98 899
	50 605	**98 899**

Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 37.

26 OTHER REVENUE

	2013 R	2012 R
Cemetery Fees	-	73
Game Sales	-	(174 510)
Prints	283	515
Telephone Cost Recovered	507	3 426
Tender Documents	9 724	10 228
Town Planning Fees	7 105	-
Vat Own Income on Grants	783 711	1 240 108
Sundry Income	1 942	84 896
Total Other Revenue	**803 272**	**1 164 736**
Attributable to:		
Continuing Operations	803 272	1 164 736
	803 272	**1 164 736**

Other Revenue has been restated to correctly classify amounts. Refer to Note 36 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 25, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

	2013 R	2012 R
Employee Related Costs - Salaries and Wages	5 618 978	5 177 621
Basic Salaries and Wages	5 169 711	4 706 715
Long Service Bonuses	62 056	119 832
Leave Encashed	-	43 872
Service Bonuses	387 211	307 203
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	853 882	1 316 846
Medical	119 982	289 949
Pension	657 593	934 810
Skills Development Levy	32 590	54 773
UIF	43 717	37 314
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	677 856	570 658
Allowances	677 856	570 658
Total Employee Related Costs	**7 150 716**	**7 065 125**
Attributable to:		
Continuing Operations	7 150 716	7 065 125
	7 150 716	**7 065 125**

No advances were made to employees.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

	2013 R	2012 R
Annual Remuneration	-	224 844
Annual Bonus	-	17 853
Car and Other Allowances	-	227 258
Company Contributions to UIF, Medical and Pension Funds	-	1 497
Total	**-**	**471 453**

The post was vacant and being filled by Acting MM from Siyanda District Municipality

Remuneration of the Chief Financial Officer

	2013 R	2012 R
Annual Remuneration	204 165	196 841
Annual Bonus	16 955	16 056
Car and Other Allowances	135 262	132 362
Company Contributions to UIF, Medical and Pension Funds	4 886	1 497
Total	**361 268**	**346 757**

Remuneration of the Manager: Corporate Services

	2013 R	2012 R
Annual Remuneration	204 165	196 841
Annual Bonus	16 955	16 056
Car and Other Allowances	135 262	132 362
Company Contributions to UIF, Medical and Pension Funds	4 886	1 497
Total	**361 268**	**346 757**

	2013 R	2012 R

27 EMPLOYEE RELATED COSTS (continue)

Remuneration of the Manager: Technical Services		
Annual Remuneration	204 165	196 840
Performance Bonus	16 955	16 056
Car and Other Allowances	135 262	132 362
Company Contributions to UIF, Medical and Pension Funds	4 886	1 497
Total	**361 268**	**346 756**

Remuneration of the Manager: Strategic Manager		
Annual Remuneration	204 165	-
Performance Bonus	18 378	-
Car and Other Allowances	180 904	-
Company Contributions to UIF, Medical and Pension Funds	5 294	-
Total	**408 741**	**-**

This post was vacant in the 2011/12 financial year

Remuneration of the Manager: IDP Manager		
Annual Remuneration	203 698	191 886
Performance Bonus	4 239	-
Car and Other Allowances	82 929	23 333
Company Contributions to UIF, Medical and Pension Funds	1 689	125
Total	**292 555**	**215 344**

Employee Related Costs has been restated to correctly classify amounts. Refer to Note 36 on "Correction of Error" for details of the restatement.

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

28 REMUNERATION OF COUNCILLORS

Mayor	417 188	421 571
Councillors	750 078	758 972
Other Allowances (Cellular Phones, Housing, Transport, etc)	478 455	384 266
Telephone Allowance	89 328	86 832
Travelling Allowance	389 127	297 434
Total Councillors' Remuneration	**1 645 721**	**1 564 809**

Remuneration of Councillors:

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

29 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	8 707 283	8 411 388
Amortisation: Intangible Assets	452 169	451 396
Total Depreciation and Amortisation	**9 159 451**	**8 862 784**
Attributable to:		
Continuing Operations	9 159 451	8 862 784
	9 159 451	**8 862 784**

Depreciation and Amortisation have been restated to correctly disclose the expenses. Refer to Note 36 on "Correction of Error" for details of the restatement.

30 IMPAIRMENT LOSSES

30.1 Impairment Losses on Fixed Assets.

Impairment Losses Recognised:	63 332	-
Property, Plant and Equipment	63 332	-
	63 332	**-**

30.2 ImpairmentLossesonFinancialAssets.

Impairment Losses Recognised:	2 530 983	3 319 746
Receivables from Exchange Transactions	2 350 399	3 683 783
Receivables from Non-exchange Transactions	180 584	(364 036)
	2 530 983	**3 319 746**
Total Impairment Losses	**2 594 315**	**3 319 746**
Attributable to:		
Continuing Operations	2 594 315	3 319 746
	2 594 315	**3 319 746**

	2013 R	2012 R
31 FINANCE COSTS		
Finance Leases	9 810	13 685
Loans and Payables at amortised cost	53 164	47 475
Total Interest Expense	62 974	61 160
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	**62 974**	**61 160**
Attributable to:		
Continuing Operations	62 974	61 160
	62 974	**61 160**

The weighted average capitalisation rate on funds borrowed generally is 5,27% per annum (2012: 5,24% per annum).

	2013 R	2012 R
32 CONTRACTED SERVICES		
Professional Fees	350 877	68 768
Total Contracted Services	**350 877**	**68 768**
Attributable to:		
Continuing Operations	350 877	68 768
	350 877	**68 768**

33 GENERAL EXPENSES

Included in General Expenses are the following:

	2013 R	2012 R
Advertising	24 282	40 072
Audit Fees	1 178 949	615 272
Bank Charges	72 966	73 766
Cleaning Costs	3 385	23 733
Communication	143 090	-
Electricity	231 178	218 137
Entertainment	25 495	-
Fuel and Oil	275 568	275 959
General Expenditure incurred from Equitable Share Grant	-	1 249 662
Insurance	117 871	269 291
Legal Costs	270 784	186 767
Library	8 256	-
Licenses	2 494	14 361
Membership Fees	458 027	403 227
Special programs - Bloodhound	5 371 900	2 850 951
Special programs - Low Cost Houings	760 232	-
Special programs - Masebabwe Waterwese	2 179	-
Special programs - Nala	1 093 639	130 674
Other General Expenses	466 555	627 474
Postage and Telegrams	9 448	6 285
Printing and Stationery	78 113	65 027
Interest and Penalties on overdue accounts	355 505	260 191
Subsistence and Travelling	611 709	2 151 279
Systems Improvements	552 974	-
Subscriptions	-	257 237
Telephone Cost	46 827	134 057
Training Costs	250 802	-
Landfill Site Rehabilitation	(1 893 370)	370 862
Uniforms and Protective Clothing	-	23 083
Total General Expenses	**10 518 857**	**10 247 367**

General Expenses has been restated to correctly classify amounts. Refer to Note 36 on "Correction of Error" for details of the restatement.

	2013 R	2012 R
33.1 Material Losses	**8 896 696**	**-**
Loss on sale of Property, Plant and Equipment	22 479	-
Loss on change of fair value of Investment Property	8 874 217	-
33.2 Loss on change of fair value on Investment Property	**-**	**-**

The loss on change of fair value of Investment Property occurred because of Pulia farm that was previously classified under Property, Plant and Equipment. Since 1st of July 2012 the municipality entered into a lease agreement to rent the farm out for 20 year. Accordingly this land was transferred to Investment Property with a carry value of R10 874 217 on the 1st of July 2012. As per GRAP 16 a fair value was obtained from an independent evaluator. The rental income base approached was used to determine the fair value resulting that the carry value decrease to R2 000 000.

No other extra-ordinary expenses were incurred.

	2013 R	2012 R
34 OTHER GAINS AND LOSSES		
Change in Fair Value of Investment Property	(8 874 217)	-
Change in Fair Value of Biological Assets	-	520 455
Net Other Gains and Losses	**(8 874 217)**	**520 455**

The change of fair value of Investment Property occurred because of Pulia farm that was previously classified under Property, Plant and Equipment. Since 1st of July 2012 the municipality entered into a lease agreement to rent the farm out for 20 year. Accordingly this land was transferred to Investment Property with a carry value of R10 874 217 on the 1st of July 2012. As per GRAP 16 a fair value was obtained from an independent evaluator. The rental income base approached was used to determine the fair value resulting that the carry value decrease to R2 000 000. No change in fair value of Investment Property were recorded in 2012 as the carry value of the Investment Property did not change as a result of a very slow property market in the area.

Change in fair value of Biological Assets in 2012 is of the result that the number of game quantities increased as well as the market price of the species. As a result of the lease agreement the biological assets were transferred to Property, Plant and Equipment as the municipality did not have control over the biological assets anymore.

35 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

GRAP 21 Impairment of Non-cash-generating Assets
GRAP 26 Impairment of Cash-generating Assets
GRAP 104 Financial Instruments

35.1 GRAP 104: FINANCIAL INSTRUMENTS

The municipality developed an Accounting Policy to fully comply with GRAP 104: Financial Instruments. Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets (as illustrated below):

Reclassification of Financial Instruments

FINANCIAL ASSETS	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
Trade and Other Receivables from Exhange Transactions	Loans and Receivables	Amortised cost	399 383.15	399 383.15
Trade and Other Receivables from Non-Exhange Transactions	Loans and Receivables	Amortised cost	5 476 894.74	5 476 894.74
Bank, Cash and Cash Equivalents	Loans and Receivables	Amortised cost	4 930 891.72	4 930 891.72

35.2 GRAP 21: IMPAIRMENT OF NON-CASH-GENERATING ASSETS

The municipality has developed Accounting Policies to fully comply with GRAP 21: Impairment of Non-cash-generating Assets. Previously the municipality used the principles set out in IPSAS 21 to account for impairment of Non - cash - generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IPSAS 21 are similar.

35.3 GRAP 26: IMPAIRMENT OF CASH-GENERATING ASSETS

The municipality has developed Accounting Policies to fully comply with GRAP 26: Impairment of Cash-generating Assets. Previously the municipality used the principles set out in IAS 36 to account for impairment of Cash - generating assets. GRAP 26 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 26 and IAS 36 are similar.

36 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

Details of the appropriations are as follows:

Statement of Financial Position:

	2013 R	2012 R
Trade Receivables from Exchange Transactions	(28 411)	(28 411)
VAT Payable	198 790	198 790
Property, Plant and Equipment	(10 066 018)	(10 066 018)
Creditors	(472 501)	(472 501)
Unspent Conditional Grants and Receipts	(8 712)	(8 712)
Non-current Provisions	15 780 938	15 780 938
Accumulated Surplus / (Deficit) - Prior Year Adjustments	(4 977 717)	(4 977 717)
Accumulated Surplus / (Deficit) - (Surplus) / Deficit for the Year	(426 369)	(426 369)
	-	-

Statement of Financial Performance:

	2013 R	2012 R
Government Grants and Subsidies Received		(8 712)
Rental of Facilities and Equipment		132 585
Other Income		210 526
Employee Related Costs		(232)
Depreciation and Amortisation		2 046 783
Repairs and Maintenance		(2 771 989)
Finance Costs		24 014
General Expenses		(59 343)
		(426 369)

36.1 Reclassification of Statement of Financial Preformance:

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

Details of the appropriations are as follows:	2013/2012	2012/2011	Restated Amount
Public Contributions and Donations	402 354	-	(402 354)
Other Revenue	1 164 736	1 567 090	402 354
Employee Related Costs	7 065 125	6 868 245	196 880
Contracted Services	68 768	265 648	(196 880)
Repairs and Maintenance	605 689	976 551	(370 862)
General Expenses	9 987 176	9 616 314	370 862
	19 293 848	**19 293 848**	-

36.2 Reclassification of Statement of Financial Position:

Details of the appropriations are as follows:	2013/2012	2012/2011	Restated Amount
Cash and Cash Equivalents	6 993	-	(6 993)
Provisions	2 763 911		2 763 911
Payables from Exchange Transactions	6 205 467	6 878 629	(673 163)
Payables from Non-exchange Transactions	1 078 620	-	1 078 620
Employee Benefits	-	405 458	(405 458)
Bank Overdraft	1 705 192	1 698 199	6 993
Non-Current Employee Benefits	-	110 465	(110 465)
Non-current Provisions	17 608 477	20 261 923	(2 653 446)
	29 368 661	**29 354 674**	-

	2013 R	2012 R
36 CORRECTION OF ERROR (continue)		

36.3 Misstatement of Value Add Tax, Payables, Other Income and Rental of Facilities

At the start of the 2013 financial year, the municipality started to rent out their game farms. During the 2012 financial year the municipality received the rental deposit as well as the first 6 months rent, but did not accounted for this as a creditor.

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	342 105	-
(Increase) / decrease in Creditors	(371 579)	(371 579)
(Increase) / decrease in VAT Payable	29 474	29 474
Statement of Financial Performance:		
(Increase) / decrease in Rental of Facilities and Equipment	-	131 579
(Increase) / decrease in Other Income		210 526
	-	-

36.4 Misstatement of Trade Receivables from Exchange Transactions and Rental of Facilities

During the 2013 financial year, the municipality preformed a reconciliation of the ANC debtors account. It was noticed that the incorrect amount was levied monthly. This was corrected retrospectively.

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Accumulated	13 406	12 401
Increase / (decrease) in Trade Receivables from Exchange Transactions	(13 406)	(13 406)
Statement of Financial Performance:		
(Increase) / decrease in Rental of Facilities and Equipment	-	1 006
	-	-

36.5 Misstatement of Trade Receivables from Exchange Transactions.

During the 2013 financial year, the municipality identified factious debtors. This was corrected retrospectively.

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	15 005	15 005
Increase / (decrease) in Trade Receivables from Exchange Transactions	(15 005)	(15 005)
	-	-

36.6 Misstatement of Property, Plant and Equipment and Creditors.

During the unbundling of the Welkom Road project, the municipality did not account for the retention moneys still outstanding. This was corrected retrospectively.

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Creditors	(109 457)	(109 457)
Increase / (decrease) in Property, Plant and Equipment	109 457	109 457
	-	-

	2013 R	2012 R

36 CORRECTION OF ERROR (continue)

36.7 Misstatement of Creditors and Finance Costs.

Management only managed to received the SAMWU pension fund statement by the end of June 2013, therefore its was only possible to account for outstanding interest in the 2013. This was corrected retrospectively.

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	25 515	1 501
(Increase) / decrease in Creditors	(25 515)	(25 515)
Statement of Financial Performance:		
Increase / (decrease) in Finance Costs	-	24 014
	-	-

36.8 Misstatement of Unspent Conditional Grants and Receipts

Management discovered that some normal expenses were allocated to the incorrect vote, thus misstating the Bloodhound Project Unspent portion for 2012.

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	8 712	-
(Increase) / decrease in Unspent Conditional Grants and Receipts	(8 712)	(8 712)
Statement of Financial Performance:		
(Increase) / decrease in Government Grants and Subsidies Received	-	(8 712)
Increase / (decrease) in Employee Related Costs	-	8 330
Increase / (decrease) in Repairs and Maintenance	-	382
Increase / (decrease) in General Expenses	-	8 712
	-	-

36.9 Misstatement of Non-Current Provisions

Management discovered that the values used to determine the landfill site provision was not accurate, that management recalculated the provision. This was corrected retrospectively.

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Accumulated	(15 780 938)	(13 008 567)
(Increase) / decrease in Non-current Provisions	15 780 938	15 780 938
Statement of Financial Performance:		
Increase / (decrease) in Repairs and Maintenance	-	(2 772 371)
	-	-

36.9 Misstatement of Misstatement of Property, Plant and Equipment and Creditors

Management discovered that a capital invoice provided as a creditor was allocated to the incorrect vote in the 2012 year.

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(68 056)	-
(Increase) / decrease in Property, Plant and Equipment	68 056	68 056
Statement of Financial Performance:		
Increase / (decrease) in General Expenses	-	(68 056)
	-	-

	2013 R	2012 R

36 Public Contributions and Donations (continue)

36.10 Misstatement of Property, Plant and Equipment

Management corrected the Landfill site asset to the correct accounting as per ASB and GRAP 17. This was corrected retrospectively.

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	11 721 098	9 696 907
(Increase) / decrease in Property, Plant and Equipment	(11 721 098)	(11 721 098)
Statement of Financial Performance:		
Increase / (decrease) in Depreciation and Amortisation	-	2 024 191
	-	-

36.11 Misstatement of Misstatement of Staff Bonuses

Management corrected the Staff Bonuses provision as Sec 57's were included. This was corrected retrospectively.

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(34 049)	(25 487)
(Increase) / decrease in Creditors	34 049	34 049
Statement of Financial Performance:		
Increase / (decrease) in Employee Related Costs	-	(8 562)
	-	-

36.12 Misstatement of Property, Plant and Equipment

Management corrected Land and Buildings due to Proclamation Assets transferred from the district municipality. This was corrected retrospectively.

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(1 477 568)	(1 500 160)
(Increase) / decrease in Property, Plant and Equipment	1 477 568	1 477 568
Statement of Financial Performance:		
Increase / (decrease) in Depreciation and Amortisation	-	22 592
	-	-

36.13 Misstatement of VAT Receivable

Management corrected the VAT with the journal not paased from last years audit

The effect of the Correction of Error is as follows:

	2013 R	2012 R
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(169 317)	(169 317)
Increase / (decrease) in VAT Receivable	169 317	169 317
	-	-

37 CASH GENERATED BY OPERATIONS

	2013 R	2012 R
Surplus / (Deficit) for the Year	(8 278 604)	(1 538 192)
Adjustment for:		
Correction of Prior Year Errors	-	4 977 717
Depreciation and Amortisation	9 159 451	8 862 784
Impairment Losses on Property, Plant and Equipment	474 763	
Losses / (Gains) on Disposal of Property, Plant and Equipment	22 479	
Fair Value Adjustment on Investment Property	8 874 217	(520 455)
Other Movement on Short Term Loans	-	(389 233)
Contribution to Provisions - Current	(196 392)	2 763 911
Contribution to Provisions - Non-current	(1 642 845)	(15 291 151)
Operating surplus before working capital changes	**8 413 069**	**(1 134 619)**
Decrease/(Increase) in Inventories	(30 161)	(122 696)
Decrease/(Increase) in Receivables from Exchange Transactions	(25 706)	2 069 944
Decrease/(Increase) in Receivables from Non-exchange Transactions	(3 919 663)	(417 651)
Decrease/(Increase) in VAT Receivable	(1 294 723)	(3 146 448)
Increase/(Decrease) in Payables from Exchange Transactions	1 785 859	3 111 053
Increase/(Decrease) in Conditional Grants and Receipts	6 574 992	(3 065 818)
Cash generated by / (utilised in) Operations	**11 503 667**	**(2 706 236)**

38 NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the 2006/2007 financial year, the municipality acquired R56 395 of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.

39 FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

40 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2013 R	2012 R
Long-term Liabilities (See Note 16)	1 009 315	1 009 338
Used to finance Property, Plant and Equipment - at cost	(1 009 315)	(1 009 338)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	**-**	**-**

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

41.1 Unauthorised Expenditure.

Reconciliation of Unauthorised Expenditure:	2013 R	2012 R
Opening balance	24 926 713	11 342 551
Unauthorised Expenditure current year	16 436 621	13 584 161
Unauthorised Expenditure awaiting authorisation	**41 363 334**	**24 926 713**

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	*To be condoned by Council*
- Executive and Council - R8 724 (2012: R257 085)	
- Finance and Administration - R9 784 061 (2012: R3 223 080)	
- Community and Social Services - R382 931 (2012: R0)	
- Public Works - R0 (2012: R4 789 902)	
- Waste Management - R0 (2012: R1 320 311)	
- Water - R0 (2012: R3 993 783)	
- Technical Services - R6 260 904 (2012: R0)	

	2013 R	2012 R

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continue)

41.2 Fruitless and Wasteful Expenditure.

	2013 R	2012 R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	270 389	24 384
Fruitless and Wasteful Expenditure current year	380 954	254 896
Transfer to receivables for recovery (see Note 5)	-	(8 891)
Fruitless and Wasteful Expenditure awaiting condonement	**651 343**	**270 389**

Incident	Disciplinary Steps / Criminal Proceedings
Incorrect calculation on SDL - R0 (2012: R8 891)	*None*
Interest on late payment - Various Creditors - R380 954 (2012: R246 004)	*None*

41.3 Irregular Expenditure.

	2013 R	2012 R
Reconciliation of Irregular Expenditure:		
Opening balance	16 835 389	4 583 963
Irregular Expenditure current year	8 084 847	12 251 427
Irregular Expenditure awaiting condonement	**24 920 236**	**16 835 389**

Incident	Disciplinary Steps / Criminal Proceedings
Expenditure contrary to SCM Processes - R8 084 847 (2012: R12 251 427)	*A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".*

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

42.1 Contributions to organised local government - SALGA.

	2013 R	2012 R
Opening Balance	400 000	246 028
Council Subscriptions	450 000	400 000
Amount Paid - previous years	-	(246 028)
Balance Unpaid (included in Creditors)	**850 000**	**400 000**

42.2 Audit Fees.

	2013 R	2012 R
Opening Balance	3 029 120	1 994 279
Council Subscriptions - Oudit Fees	1 178 949	854 915
Council Subscriptions - VAT	165 053	119 688
Council Subscriptions - Interest	168 011	110 968
Amount Paid - National Treasury - current year	-	(50 731)
Amount Paid - National Treasury - previous years	(868 068)	-
Balance Unpaid (included in Creditors)	**3 673 065**	**3 029 120**

The balance unpaid represents the audit fee for the annual audit done by the Auditor General for the past four years.

42.3 VAT.

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

42.4 PAYE, Skills Development Levy and UIF.

	2013 R	2012 R
Opening Balance	553 304	889 433
Current year Payroll Deductions	893 486	983 563
Amount Paid - current year	-	(983 563)
Amount Paid - previous years	-	(336 129)
Balance Unpaid (included in Creditors)	**1 446 789**	**553 304**

The balance represents PAYE and UIF deducted from the prior years. These amounts were are being paid as money comes available.

42.5 Pension and Medical Aid Deductions.

	2013 R	2012 R
Opening Balance	250 186	-
Current year Payroll Deductions and Council Contributions	893 486	871 859
Amount Paid - current year	(783 616)	(621 673)
Amount Paid - previous years	(250 186)	-
Balance Unpaid (included in Creditors)	**109 870**	**250 186**

The balance represents Pension and Medical Aid contributions deducted from employees and councillors, as well as the municipality's contributions to these funds.

	2013 R	2012 R

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continue)

42.6 Councillor's arrear Consumer Accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2013	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Titus A	2 683	1 641	1 042
Councillor Eiman M	3 048	775	2 273
Total Councillor Arrear Consumer Accounts	**5 731**	**2 416**	**3 315**

30 June 2012	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Titus A	4 123	1 412	2 711
Councillor Joseph M	1 058	223	836
Councillor Eiman M	19 598	4 590	15 008
Total Councillor Arrear Consumer Accounts	**24 779**	**6 224**	**18 555**

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

30 June 2013	Highest amount outstanding	Ageing
Councillor Titus A	4 814	> 90 Days
Councillor Eiman M	1 042	> 90 Days

30 June 2012	Highest amount outstanding	Ageing
Councillor Titus A	3 355	> 90 Days
Councillor Joseph M	1 489	> 90 Days
Councillor Smith PJJ	381	< 90 Days
Councillor Eiman M	15 447	> 90 Days

42.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act.

The municipality has developed a supply chain management policy.

42.8 Deviation from, and ratification of minor breaches of, the Procurement Processes.

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

42.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA.

It was not possible to determine the Distributions losses as insufficient information is available to management

43 COMMITMENTS FOR EXPENDITURE

43.1 Capital Commitments.

	2013 R	2012 R
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	**7 887 366**	**3 208 846**
Infrastructure	5 779 268	3 208 846
Other	2 108 098	-
- Approved but Not Yet Contracted for:-	**-**	**2 106 879**
Infrastructure	-	-
Other	-	2 106 879
Total Capital Commitments	**7 887 366**	**5 315 725**
This expenditure will be financed from:		
Government Grants	7 887 366	5 315 725
	7 887 366	**5 315 725**

43.2 Lease Commitments.

Finance Lease Liabilities ais disclosed in Notes 16.

44 FINANCIAL INSTRUMENTS

44.1 Classification.

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification	2013 R	2012 R
Receivables from Exchange Transactions			
Refuse	Amortised cost	84 950	67 276
Sewerage	Amortised cost	79 545	49 447
Water	Amortised cost	234 888	103 417
Other Receivables	Amortised cost	-	153 537
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	1 783 650	1 314 748
Sundry Debtors	Amortised cost	422 089	-
Accruals	Amortised cost	3 271 155	242 485
Cash and Cash Equivalents			
Notice Deposits	Amortised cost	18 532	6 993
Bank Balances	Fair value	4 912 360	-

SUMMARY OF FINANCIAL ASSETS

		2013 R	2012 R
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Refuse	84 950	67 276
Receivables from Exchange Transactions	Sewerage	79 545	49 447
Receivables from Exchange Transactions	Water	234 888	103 417
Receivables from Exchange Transactions	Other Debtors	-	153 537
Receivables from Non-exchange Transactions	Assessment Rates Debtors	1 783 650	1 314 748
Receivables from Non-exchange Transactions	Sundry Debtors	422 089	-
Receivables from Non-exchange Transactions	Accruals	3 271 155	242 485
Cash and Cash Equivalents	Notice Deposits	18 532	6 993
		5 894 810	1 937 902
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Bank Balances	4 912 360	-
		4 912 360	-
Total Financial Assets		**10 807 170**	**1 937 902**

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Financial Liabilities	Classification	2013 R	2012 R
Long-term Liabilities			
Annuity Loans	Amortised cost	77 879	354 254
Finance Lease Liabilities	Amortised cost	33 237	71 560
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	8 232 295	6 096 010
Retentions	Amortised cost	104 703	109 457
Payables from Non-exchange Transactions			
Staff Bonuses	Amortised cost	133 420	111 901
Staff Leave Accrued	Amortised cost	231 663	259 507
Sundry Deposits	Amortised cost	43 703	371 579
Bank Overdraft			
Bank Overdraft	Fair value	-	1 705 192
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	857 336	527 796
Finance Lease Liabilities	Amortised cost	40 863	55 727

44 FINANCIAL INSTRUMENTS (continue)
SUMMARY OF FINANCIAL LIABILITIES

		2013 R	2012 R
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	77 879	354 254
Long-term Liabilities	Finance Lease Liabilities	33 237	71 560
Payables from Exchange Transactions	Trade Creditors	8 232 295	6 096 010
Payables from Exchange Transactions	Retentions	104 703	109 457
Payables from Non-exchange Transactions	Staff Bonuses	133 420	111 901
Payables from Non-exchange Transactions	Staff Leave Accrued	231 663	259 507
Payables from Non-exchange Transactions	Sundry Deposits	43 703	371 579
Current Portion of Long-term Liabilities	Annuity Loans	857 336	527 796
Current Portion of Long-term Liabilities	Finance Lease Liabilities	40 863	55 727
		9 755 099	7 957 792
Financial Liabilities at Fair Value:			
Bank Overdraft	Bank Overdraft	-	1 705 192
		-	1 705 192
Total Financial Liabilities		**9 755 099**	**9 662 984**

44.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments
The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments
The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables
Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables
The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities
The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities
The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2013, as a result of the short-term maturity of these assets and liabilities.

	2013	2012
	R	R

44 FINANCIAL INSTRUMENTS (continue)

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2013		30 June 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R	R	R	R
FINANCIAL ASSETS				
Measured at Amortised Cost:	5 894 810	5 894 810	1 937 902	1 937 902
Notice Deposits	18 532	18 532	6 993	6 993
Trade Receivables from Exchange Transactions	399 383	399 383	373 677	373 677
Trade Receivables from Non-exchange Transactions	5 476 895	5 476 895	1 557 232	1 557 232
Measured at Fair Value	4 912 360	4 912 360	-	-
Bank Balances and Cash	4 912 360	4 912 360	-	-
Total Financial Assets	10 807 170	10 807 170	1 937 902	1 937 902
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	9 755 099	9 755 099	7 957 792	7 957 792
Annuity Loans	77 879	77 879	354 254	354 254
Finance Lease Liabilities	33 237	33 237	71 560	71 560
Trade and Other Payables:				
- Payables from Exchange Transactions	8 336 998	8 336 998	6 205 467	6 205 467
- Payables from Non-exchange Transactions	408 786	408 786	742 987	742 987
- Short-term Loans	-	-	-	-
- Current Portion of Long-term Liabilities	898 199	898 199	583 524	583 524
Measured at Fair Value	-	-	1 705 192	1 705 192
Bank Overdraft	-	-	1 705 192	1 705 192
Total Financial Liabilities	9 755 099	9 755 099	9 662 984	9 662 984
Total Financial Instruments	1 052 071	1 052 071	(7 725 082)	(7 725 082)
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipalitity have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-
Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-
Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-
Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2013

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Bank Balances and Cash	-	4 912 360	-	4 912 360
Total Financial Assets	-	4 912 360	-	4 912 360
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	4 912 360	-	4 912 360

	2013 R	2012 R

44 FINANCIAL INSTRUMENTS (continue)

30 June 2012

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank Overdraft	-	1 705 192	-	1 705 192
Total Financial Liabilities	-	1 705 192	-	1 705 192
Total Financial Instruments	-	(1 705 192)	-	(1 705 192)

44.3 Capital Risk Management.

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

Gearing Ratio
In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the municipaliyty. The rate of borrowing is well below market related rates.

The municipality's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The municipality has a target gearing ratio of 20-25% determined as the proportion of net debt to equity. Based on the committee's recommendations, the municipality expects to increase its gearing ratio closer to 25% through the issue of new debt.

	2013 R	2012 R
The gearing ratio at the year-end was as follows:		
Debt	1 418 101	3 457 517
Cash and Cash Equivalents	(4 912 360)	-
Net Debt	(3 494 259)	3 457 517
Equity	321 410 563	323 543 453
Net debt to equity ratio	**-1.09%**	**1.07%**

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

44.4 Financial Risk Management Objectives.

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The municipality seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

	2013	2012
	R	R

44 FINANCIAL INSTRUMENTS (continue)

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the municipality's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

44.5 Significant Risks.

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 51.8 and 51.9 to the Annual Financial Statements.

44.6 Market Risk.

The municipality's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note 47.6.1 below) and interest rates (see Note 47.7 below). The municipality enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 51.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

44.6.1 Foreign Currency Risk Management.

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

44.6.2 Interest Rate Risk Management.

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

	2013	2012
	R	R

44 FINANCIAL INSTRUMENTS (continue)

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

44.7 Credit Risk Management.

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents
The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables
Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:
- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

44 FINANCIAL INSTRUMENTS (continue)

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

An audit query was raised as to whether the amounts disclosed in terms of IFRS 7.36 should be GROSS or NETT. The paragraph indicated that the "Maximum" exposure" should be disclosed, thus the GROSS amounts should be used.

	2013 R	2012 R
Fixed Deposit Investments	-	-
Long-term Receivables	-	-
Consumer Debtors	14 748 078	12 967 994
Other Debtors	7 925 877	3 870 103
Bank, Cash and Cash Equivalents	4 930 892	(1 698 199)
Maximum Credit and Interest Risk Exposure	**27 604 846**	**15 139 898**

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Add the % of the spesific type of debtor to the total debtors.		
Consumer Debtors:		
- Household	70.96%	79.01%
- Industrial / Commercial	4.68%	5.72%
- National and Provincial Government	22.50%	9.66%
- Other Classes	0.00%	2.53%
Other Debtors:		
- Other not Classified	17.64%	3.08%
Total Credit Risk	**115.77%**	**100.00%**

	2013 R	2012 R
Bank and Cash Balances		
Standard Bank	4 930 892	(1 698 199)
Total Bank and Cash Balances	**4 930 892**	**(1 698 199)**
Counterparties without external credit rating:-		
Group 1	(20 649)	283 412
Group 2	(2 982)	55 342
	(23 631)	338 753
Total Receivables from Exchange Transactions	**(23 631)**	**338 753**
Receivables from Non-exchange Transactions		
Group 1	3 375 303	70 675
Total Receivables from Non-exchange Transactions	**3 375 303**	**70 675**

Credit quality Goupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

44 FINANCIAL INSTRUMENTS (Continued)

44.8 Liquidity Risk Management.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

<u>Liquidity and Interest Risk Tables</u>

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2013								
Non-interest Bearing		0.00%	9 035 897	9 035 897	-	-	-	-
- Payables from Exchange transactions			8 336 998	8 336 998	-	-	-	-
- Payables from Non-exchange transactions			698 899	698 899	-	-	-	-
			-					
Variable Interest Rate Instruments		8.08%	-	-	-	-	-	-
- Bank Overdraft			-	-	-	-	-	-
			-					
Fixed Interest Rate Instruments		5.00%	719 202	-	-	-	719 202	-
- DBSA		5.00%	719 202	-	-	-	719 202	-
- Short-term Loans			-	-	-	-	-	-
			9 755 099	**9 035 897**	**-**	**-**	**719 202**	**-**
30 June 2012								
Non-interest Bearing		0.00%	7 566 027	7 566 027	-	-	-	-
- Payables from Exchange transactions			6 205 467	6 205 467	-	-	-	-
- Payables from Exchange transactions			1 360 560	1 360 560	-	-	-	-
			-					
Variable Interest Rate Instruments		8.08%	1 705 192	1 705 192	-	-	-	-
- Bank Overdraft			1 705 192	1 705 192	-	-	-	-
			-					
Fixed Interest Rate Instruments		5.00%	425 814	-	-	-	425 814	-
- DBSA		5.00%	425 814	-	-	-	425 814	-
- Short-term Loans			-	-	-	-	-	-
			9 697 033	**9 271 219**	**-**	**-**	**425 814**	**-**
			34 049.42					

44 FINANCIAL INSTRUMENTS (Continued)

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

The municipality has access to financing facilities, the total unused amount which is R305 445 (2011: R575 550), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

The following table details the municipality's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Description	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	R	R	R	R		R
30 June 2013						
Net Settled:						
Interest Rate Swaps	689	11	50	205	302	121
Foreign Exchange Forward Contracts	(13)	(5)	(21)	13	-	-
Gross Settled:						
Foreign Exchange Forward Contracts	47	12	35	-	-	-
	723	**18**	**64**	**218**	**302**	**121**
30 June 2012						
Net Settled:						
Interest Rate Swaps	289	7	18	22	160	82
Foreign Exchange Forward Contracts	34	10	15	9	-	-
Gross Settled:						
Foreign Exchange Forward Contracts	218	65	132	21	-	-
	541	**82**	**165**	**52**	**160**	**82**

44.9 Other Price Risks.

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

	2013	2012
	R	R

45 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R3 031 151 (2012: R2 740 738) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the investment reserve of the fund amounted to R0 (30 June 2011: R67,977) million, with a funding level of 99,4% (30 June 2011: 98,1%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R(7,980) (30 June 2011: R9 930,837) million, with funding levels of 99,9% and 108,0% (30 June 2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 341, 935 205) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

	2013	2012
	R	R

45 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continue)

SALA Pension Fund:
The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund:
The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R2 445,9 (30 June 2005: R1 511,5) million, with funding levels of 100,0% (30 June 2009: 100,0%). The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

46 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

46.1 Interest of Related Parties.

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Relationship	Interest
Eiman M	Mayor	Member of municipal council	Husband is a member of Bouvest 2324 CC
Smith PJJ	Councillor	Member of municipal council	Member of Mier Toeriste Winkel CC and spouse is a member of First Works 136 CC
Farao PP	Councillor	Member of municipal council	Director of Genade Kleinboere (Pty) Ltd
Masikani S	Councillor	Member of municipal council	Member of Women Leading Guesthouse CC and Red Dune Events, Decor and Catering Planners Co-Operative Limited
A Titus	Councillor	Member of municipal council	-
N Joseph	Councillor	Member of municipal council	-
KW Dodds	Councillor	Member of municipal council	-
M Makibi	Acting Municipal Manager	Member of key management	-
J Mienies	Acting Technical Manager	Member of key management	-
IJ van Wyk	Acting Strategic Manager	Member of key management	-
EN Mouton	Acting Chief Financial Officer	Member of key management	-
Mouton CA.	Acting Corporate Manager	Member of key management	Member of Doermanskolk Boerdery CC
GM Mouton	Tenant to the municipality	Close family member of key management	-
F Mienies	Tenant to the municipality	Close family member of key management	-
PP Mienies	Tenant to the municipality	Close family member of key management	-
WG Dodds	Buyer of land from municipality	Close family member of council member	-
LR Julies	Employee of the municipality	Close family member of key management	-
MS de Klerk	Employee of the municipality	Close family member of key management	-
VSA Rens	Employee of the municipality	Close family member of key management	-
JC Mouton	Employee of the municipality	Close family member of key management	-
ZF Mgcawu District Municipality (Receivable)	Local District Municipality	District municipality with significant control	

46.2 Services rendered to Related Parties.

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2013				
Councillors	100	8 081	-	1 961
Municipal Manager and Section 57 Personnel	100	10 127	1 146	34 469
Total Services	**199**	**18 208**	**1 146**	**36 430**
For the Year ended 30 June 2012				
Councillors	304	8 253	-	3 849
Municipal Manager and Section 57 Personnel	895	8 171	225	6 220
Total Services	**1 198**	**16 424**	**225**	**10 069**

Related Person	**Purchases for the Year**
Rental of Facilities and Equipment	
Rental of Facilities and Equipment	
GM Mouton	9 827
F Mienies	6 650
PP Mienies	9 336
Bloodhound Project	
S Dodds	106 749
E Steenkamp	3 306
DA Bock	117 195
Sale of farm, transaction not at arms length	
WG Dodds	14 874
Employee cost	
LR Julies	130 999
MS de Klerk	131 890
VSA Rens	89 771
JC Mouton	133 511
Contracts administrated on behalf of the municipality:	
ZF Mgcawu District Municipality (Receivable)	3 124 840
ZF Mgcawu District Municipality (Commission paid)	211 113

	2013	2012
	R	R

	2013 R	2012 R

46 RELATED PARTY TRANSACTIONS (continue)

46.3 Loans granted to Related Parties.

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note N/A to the Annual Financial Statements.

46.4 Compensation of Related Parties.

Compensation of Key Management Personnel and Councillors is set out in Note 27 and 28 to the Annual Financial Statements.

47 CONTINGENT LIABILITIES

	2013 R	2012 R
47.1 Court Proceedings:	**185 000**	**125 000**
(a) Repossession of Land: The municipality has cancelled a deed of sale due to various reasons and repossessed the portion of land. The community are now in process of sueing the municipality in order to get possession of the land again. The case has not heard and the municiplaity estimates the costs to be R125 000.	125 000	125 000
(b) Vergesig Mier Boerdery BK Vergesig Mier Boerdery BK issued summons for specific performance claiming transfer of certain property in the name of Vergesig Boerdery BK. The case is still pending.	-	-
(c) Ricogen (Pty) Ltd During a tender procedure for the lease of property of the munisipality the tender was awared to Amadwala Trading. Ricogen was ons of the unsuccessful tenders. Ricogen are of the opinion that they should have been awarded the tender and brought an application for setting aside the tender. The case is still pending and the estimated cost on completing the case is R40 000.	40 000	-
(d) Klipkolk Gastehuis/ HJ Bott Mr Bott wrote a letter through his legal representative claiming that in accordance to a contract that he had with the municipality, the municipality owes him certain amounts of money for improvements to Klipkolk Gastehuis and that the municipality undertook to refund him in one or other way. No summons was issued yet.	-	-
(e) Collection Matters Certain farmers in terms a lease agreement of the muncipal property/farms do not pay for water and were remanded. If no summons is issued, a minimal amount in costs (+- R1 000 per matter will be paid)	4 000	-
(f) NC Smith & JJ van Schalkwyk Smith & van Schalkwyk wrote a letter by way of their legal respresentative to make the same claim as in the Vergesig Mier Boerdery BK matter. They were reffered to trhe case pending. Approximately cost R5 000.	5 000	-
(g) Legal Opinion: JF van Rooi An opinion was obtained in a motor vehicle accident and possible claim against the municipality. Estimated cost - R3 000.	3 000	-
(h) Legal Opinion: BJ Cloete Mr. BJ Cloete is preforming agriculture activities on farm no.20 of the 585 farms with out the authorisation of the council and was requested to remove all of his live stock as he did not meet all of his obligations and the farm was allocated to Mr. M Snyders. Estimated cost - R5 000.	5 000	-

	2013 R	2012 R

47 CONTINGENT LIABILITIES (continue)

(i) Keimoes Properties Uncertainty existed as to ownership of certain properties in Keimoes regarding a lease agreement. Council was requested to do a deeds office search. Correspondence in this regard referred to the outcome. Estimated cost - R3 000.	3 000	-
(j) AJ Bezuidenhout - Coertzenburg On March 10th 2009, Mr. Bezuidenhout entered into a rental agreement with the municipality to rent a portion of portion 15 of the farm Kalahari Wes no: 251. As per the agreement, Mr. Bezuidenhout had the option to purchase this portion of the farm. After a conversation between Mr. Bezuidenhout and council it was decided to allocate a different portion of farm land to Mr. Bezuidenhout as the Khomani San obtained ownership of this farm. Newly bought land from the Minister was allocated to Mier LM namely Coertzenburg. Mr. Bezuidenhout is now claiming a portion of this land as he was not treated fairly in the original rental agreement, but this land was given to Mier LM as commonage land, thus this land cant not be transported into the name of an individual.	-	-

(k) Development Bank of South Africa (DBSA)

The municipality defaulted on the loan conditions of the DBSA during the financial year and as a result of the breach in contract a contingent liability exists.
The DBSA shall be entitled, after giving the borrower 30 days written notice to suspend drawdown's from the loan or to terminate this agreement and to claim from the borrower immediate payment of all the outstanding amounts should the borrower commit a breach of this agreement.
The DBSA shall be entitled to exercise its rights – [Section 10.2.1] - The borrower failing to repay the capital amount and to pay interest.

47.2 Landfill sites:
In terms of section 68(1) of the Waste Management Act the municipality might receive a penalty of R90 million for not having a license to operate at all 9 Landfill Sites in the municipal area.

In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.

48 PRIVATE PUBLIC PARTNERSHIPS

During the 2007/2008 financial year the Municipality together with "The Khomani San Communal Property Association" concluded a management agreement with "Victory Parade Trading 73 (Pty) Ltd" for the operation of the "!Xaus Lodge". In accordance with the agreement the responsibly rest fully with the operator and the Municipality does not derive any financial benefit. This agreement does not comply with the requirement of a Joint Venture. This matter has been disclosed for the benefit of the users of the financial statements.

49 EVENTS AFTER THE REPORTING DATE

The Mier Local Municipality have been placed under financial administration from 01 September 2013, by the MEC of Local Government in the Northern Cape.

50 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 36).

51 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 31 May 2012 the Council adopted the 2012/13 to 2014/15 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

The following are indicators that the financial sustainability may be under threat. These include the following:

Revenue of the municipality is not being collected, consumer debtors increased with 44% from 2011/12 financial year and 98% of consumer debtor account is outstanding for more than 90 days;

The municipal budget have been overspent with R6 214 531 (2012: R13 584 161) for the current financial year;

The municipality is not able to settle supplier accounts within 30 days of receipt of the invoice and 84% of trade payables are outstanding for periods exceeding 30 days;

The municipality defaulted on payment terms entered into with a credit provider;

The municipality incurred a significant loss during the financial year, as a result of a lease contract entered into with a third party;

The unspent conditional grant liability of the municipality of R10 980 549 (2012: R4 405 557) is not cash backed;

The current liabilities exceeds the current assets with 75%, indicating that the municipality is not in a position to settle debt as it becomes due within the next 12 months;

The municipality is experiencing difficulty to remunerate employees within the agreed timeframes, leading to labour strikes;

Conditional grant allocations were not used for the intended purpose and the Provincial Treasury is recovering the money from the equitable share allocation of the municipality amounting to R4 800 000, R1 602 000 (2012: R2 240 801) was recovered during the year and the balance will be recovered from the equitable share allocation of 2013/14.

Subsequent to year end the municipality have been placed under financial administration by the MEC of Local Government in the Northern Cape Province;

The municipality is based in a remote are in the Northern Cape Province with little economic activity and many community members are classified as indigent consumers of the municipality. As a result the municipality struggles to collect revenue and this result in significant cash flow problems, which cast significant doubt on the municipality's ability to continue as a going concern. The municipality is dependent on national and provincial grants for its continued existence.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

	2013	2012
	R	R

APPENDIX A
MIER LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2012	Loan (over)/under paid	Ineterst Charged during period	Redeemed/ Written Off during Period	Balance at 30 June 2013
	R				R			R	R
ANNUITY LOANS									
Development Bank of South Africa	1 560 000	5.00%	61000560	31.08.2014	667 091		25 576	(312 837)	379 830
Development Bank of South Africa (Arreas)	-	7.00%	61000560		214 959	312 837	27 588	-	555 385
Total Annuity Loans	**1 560 000**				**882 051**	**312 837**	**53 164**	**(312 837)**	**935 215**
TOTAL EXTERNAL LOANS	**1 560 000**				**882 051**			**(312 837)**	**935 215**

ANNUITY LOANS:

DBSA:

Original loan capital of R1 560 000 is repayable monthly in fixed instalments of capital and fixed rate interest.

APPENDIX B
MIER LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Land and Buildings										
Land:										
Land: Developed, Undeveloped & Farms	242 158 202	-	-	(10 874 217)	(720 000)	230 563 985	-	-	-	230 563 985
Buildings:										
Office Buildings	20 192 816	-	496 270	-	-	20 689 087	6 507 164	752 572	7 259 737	13 429 350
	262 351 018	**-**	**496 270**	**(10 874 217)**	**(720 000)**	**251 253 071**	**6 507 164**	**752 572**	**7 259 737**	**243 993 335**
Electricity:										
Electric Street Pole With Fitted Lamp	11 606	-	-	-	-	11 606	1 161	1 161	2 321	9 285
Electric Wood Pole With Street Light	90 599	-	-	-	-	90 599	64 157	2 265	66 422	24 177
LV Overhead Cables	170 279	-	-	-	-	170 279	93 654	4 257	97 911	72 369
Pole Mounted Transformer	65 094	-	-	-	-	65 094	35 801	1 627	37 429	27 665
Rietf 1.83km Streetlights for distribution road	-	-	77 985	-	-	77 985	-	-	-	77 985
Solar Panels -	47 771	-	-	-	-	47 771	3 539	3 539	7 077	40 694
Wood Street Pole With Fitted Lamp	31 604	-	-	-	-	31 604	18 225	790	19 015	12 589
Roads and Transport:										
ROAD STRUCTURES	31 818 396	2 406 374	1 863 351	-	-	36 088 121	11 295 442	1 280 488	12 575 930	23 512 191
STORM WATER	261 245	14 858	-	-	-	276 103	52 723	2 710	55 433	220 671
TRAFFIC MANAGEMENT	321 822	16 065	-	-	-	337 887	101 515	48 402	149 917	187 970
Sewerage:										
Sewers / Reticulation	25 690 663	-	-	-	-	25 690 663	12 621 242	2 220 629	14 841 871	10 848 792
Water:										
Water Boreholes	4 761 032	-	-	-	-	4 761 032	3 288 190	230 284	3 518 475	1 242 558
Water Pumpstations	650 064	-	-	-	-	650 064	383 346	49 000	432 346	217 718
Water Reservoirs	36 333 368	12 870	-	-	-	36 346 238	23 359 934	1 216 985	24 576 919	11 769 318
Water Reticulation	91 512 618	-	-	-	-	91 512 618	57 033 731	2 220 901	59 254 632	32 257 986
Water Treatment Works	2 055 695	-	-	-	-	2 055 695	1 215 977	128 752	1 344 728	710 967
WATER METERS	3 358 351	-	-	-	-	3 358 351	1 846 873	167 918	2 014 791	1 343 560
	197 180 210	**2 450 166**	**1 941 336**	**-**	**-**	**201 571 712**	**111 415 508**	**7 579 708**	**118 995 217**	**82 576 495**
Leased Assets										
Office equipment	196 364	-	-	-	-	196 364	99 152	44 095	143 247	53 117
	196 364	**-**	**-**	**-**	**-**	**196 364**	**99 152**	**44 095**	**143 247**	**53 117**
Game										
Species	**-**	**6 145 714**	**-**	**3 216 382**	**-**	9 362 095			-	9 362 095
	-	**6 145 714**	**-**	**3 216 382**	**-**	**9 362 095**	**-**	**-**	**-**	**9 362 095**
Other Assets										
Emergency Equipment:										
Fire fighting equipment / fire hoses	63 596	-	-	-	-	63 596	27 713	11 447	39 160	24 436

APPENDIX B

MIER LOCAL MUNICIPALITY

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Value
Furniture and Fittings:										
Beds	31 155	-	-	-	-	31 155	15 692	5 608	21 300	9 855
Cabinets & cupboards	118 840	-	-	-	-	118 840	49 210	15 335	64 544	54 296
Chairs and couches	312 755	-	-	-	-	312 755	121 952	42 922	164 874	147 882
Other furniture and fittings	23 962	-	-	-	-	23 962	11 901	4 313	16 214	7 748
Shelving and bookcases	67 880	-	-	-	-	67 880	28 055	8 727	36 782	31 098
Tables & desks	299 683	-	-	-	-	299 683	117 107	38 689	155 796	143 887
Motor Vehicles:										
Farm vehicles	55 000	-	-	-	-	55 000	14 520	1 760	16 280	38 720
Specialised vehicles	26 272	-	-	-	-	26 272	2 370	2 522	4 892	21 380
Trailers and accessories	71 000	-	-	-	-	71 000	25 560	3 408	28 968	42 032
Trucks, buses and ldv's	410 077	39 649	-	-	-	449 726	69 439	21 632	91 071	358 655
Office Equipment:										
Air conditioners	148 800	8 985	-	-	-	157 785	77 942	35 203	113 146	44 639
Audiovisual equipment	33 988	-	-	-	-	33 988	17 393	6 254	23 647	10 341
Computer hardware	456 879	-	-	-	-	456 879	216 881	108 194	325 074	131 804
Domestic equipment	9 605	-	-	-	-	9 605	4 860	1 767	6 627	2 977
Office equipment - other	7 927	-	-	-	-	7 927	4 011	1 458	5 469	2 457
Office machines	44 299	-	-	-	-	44 299	21 244	9 105	30 350	13 950
Plant and Equipment:										
Compressors	9 491	-	-	-	-	9 491	4 698	1 220	5 918	3 572
Generators	71 109	-	-	-	-	71 109	29 288	9 143	38 430	32 678
Lab equipment	31 974	-	-	-	-	31 974	7 998	6 628	14 626	17 348
Plant and equipment - other	59 689	23 056	-	-	-	82 745	33 723	10 295	44 017	38 728
Workshop equipment and tools	19 025	-	-	-	-	19 025	7 334	3 424	10 758	8 266
	2 373 004	**71 690**	**-**	**-**	**-**	**2 444 694**	**908 889**	**349 055**	**1 257 945**	**1 186 749**
Total	**462 100 595**	**8 667 570**	**2 437 607**	**(7 657 836)**	**(720 000)**	**464 827 936**	**118 930 714**	**8 725 431**	**127 656 145**	**337 171 791**

MIER LOCAL MUNICIPALITY

ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Investment Properties										
Land & Office Buildings	6 938 432	2 000 000	-	-	(373 056)	8 565 376	-	-	-	8 565 376
	6 938 432	**2 000 000**	**-**	**-**	**(373 056)**	**8 565 376**	**-**	**-**	**-**	**8 565 376**
									-0.00	0.00

APPENDIX B

MIER LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Value

MIER LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Intangible Assets										
Computer Software	1 808 675	-	-	-	-	1 808 675	991 396	452 169	1 443 565	365 110
	1 808 675	**-**	**-**	**-**	**-**	**1 808 675**	**991 396**	**452 169**	**1 443 565**	**365 110**
									-0.00	0.00

MIER LOCAL MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Biological Assets										
Game	3 216 382	-	-	(3 216 382)	-	-	-	-	-	-
	3 216 382	**-**	**-**	**(3 216 382)**	**-**	**-**	**-**	**-**	**-**	**-**
									-0.00	0.00
Total Asset Register	**474 064 083**	**10 667 570**	**2 437 607**	**(10 874 217)**	**(1 093 056)**	**475 201 987**	**119 922 110**	**9 177 600**	**129 099 710**	**346 102 277**

APPENDIX C
MIER LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment			Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive and Council	116 651	-	-	-	-	116 651	44 334	21 854	66 188	50 462
						-	-	-	-	-
Finance and Administration	3 929 264	71 690	-	-	-	4 000 954	1 852 772	801 873	2 654 645	1 346 309
						-	-	-	-	-
Technical Services	470 018 169	31 894 630	2 437 607	(10 874 217)	(1 093 056)	492 383 132	118 025 004	8 353 872	126 378 877	366 004 255
						-	-	-	-	\
Total	474 064 083	31 966 320	2 437 607	(10 874 217)	(1 093 056)	496 500 737	119 922 110	9 177 600	129 099 710	367 401 027

APPENDIX D

MIER LOCAL MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income	2012 Budgeted Income	2012 Actual Expenditure	2012 Budgeted Expenditure	2012 Surplus/ (Deficit)	Description	2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
-	-	2 677 885	2 422 052	(2 677 885)	Executive and Council	-	-	2 621 923	2 977 201	(2 621 923)
21 988 450	30 076 039	13 260 653	10 546 433	8 727 797	Finance and Administration	34 210 198	26 914 959	10 521 331	10 230 889	23 688 868
-	-	-	-	-	Community and Social Services	734 918	-	1 672 965	1 400 034	(938 047)
8 268 806	7 384 924	15 856 911	8 484 269	(7 588 105)	Technical Services	9 657 379	11 270 941	17 510 270	12 259 586	(7 852 892)
30 257 257	**37 460 964**	**31 795 449**	**21 452 754**	**(1 538 192)**	Sub-Total	**44 602 495**	**38 185 900**	**32 326 489**	**26 867 710**	**12 276 006**
					Revenue Foregone					
30 257 257	**37 460 964**	**31 795 449**	**21 452 754**	**(1 538 192)**	**Total**	**44 602 495**	**38 185 900**	**32 326 489**	**26 867 710**	**12 276 006**

Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description R thousand	2012/2013								
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	5	6	7	8	9	10	11
Revenue - Standard									
Governance and administration	27 269	(354)	–	26 915	34 210		7 295	127.10%	125.46%
Executive and council	–	–	–	–	–		–	0.00%	0.00%
Budget and treasury office	27 269	(354)	–	26 915	34 210		7 295	127.10%	125.46%
Trading services	4 271	7 000	–	11 271	9 657		(1 614)	85.68%	226.12%
Electricity	–	–	–	–	–		–	0.00%	0.00%
Water	1 652	–	–	1 652	1 059		(593)	64.12%	64.12%
Waste water management	2 619	–	–	2 619	1 818		(801)	69.41%	69.41%
Waste management	–	7 000	–	7 000	6 780		(220)	96.86%	0.00%
Other	–	–	–	–	–		–	–	
Total Revenue - Standard	31 540	6 646	–	38 186	44 602		6 417		
							–		
Expenditure - Standard							–		
Governance and administration	14 936	(1 728)	–	13 208	13 143	(65)	(65)	99.51%	88.00%
Executive and council	2 454	523	–	2 977	2 622		(355)	88.07%	106.82%
Budget and treasury office	12 481	(3 953)	–	8 529	9 202		673	107.89%	73.73%
Corporate services	–	1 702	–	1 702	1 319		(383)	77.51%	0.00%
Community and public safety	–	1 400	–	1 400	1 673	273	273	119.49%	0.00%
Community and social services	–	1 400	–	1 400	1 673		273	119.49%	0.00%
Sport and recreation	–	–	–	–	–		–	0.00%	0.00%
Public safety	–	–	–	–	–		–	0.00%	0.00%
Housing	–	–	–	–	–		–	0.00%	0.00%
Health	–	–	–	–	–		–		
Economic and environmental services	–	38	–	38	53	16	16	141.48%	0.00%
Planning and development	–	–	–	–	–		–		
Road transport	–	38	–	38	53	16	16	141.48%	0.00%
Environmental protection	–	–	–	–	–		–		
Trading services	5 286	6 936	–	12 222	17 457	5 235	5 235	142.83%	330.27%
Electricity	–	–	–	–	–	–	–	0.00%	0.00%
Water	2 103	325	–	2 428	5 896	3 467	3 467	242.79%	280.37%
Waste water management	1 545	8	–	1 554	3 912	2 358	2 358	251.76%	253.12%
Waste management	1 637	6 602	–	8 240	7 650	(590)	(590)	92.84%	467.15%
Other	–	–	–	–	–				
Total Expenditure - Standard	20 221	6 646	–	26 868	32 326	5 459			
Surplus/(Deficit) for the year	11 318			11 318	12 276				

Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2012/2013								
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o. Council approved by law)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	5	6	7	8	9	10	11
Revenue by Vote									
Mayor and Executive	–	–		–	–		–	–	–
Finance and Admin	27 269	(354)		26 915	34 210		7 295	127%	125%
Community Services	–	–		–	735		735	0%	0%
Technical Services	4 271	7 000		11 271	9 657		(1 614)	86%	226%
Total Revenue by Vote	31 540	6 646	–	38 186	44 602	–			
Expenditure by Vote *to be appropriated*							–	–	–
Mayor and Executive	2 454	523		2 977	2 622	(355)	(355)	0	0
Finance and Admin	12 481	(2 250)		10 231	10 521	290	290	0	0
Community Services	–	1 400		1 400	1 673	273	273	0	–
Technical Services	5 286	6 974		12 260	17 510	5 251	5 251	0	0
Total Expenditure by Vote	20 221	6 646	–	26 868	32 326	5 459			
Surplus/(Deficit) for the year	11 318	–	–	11 318	12 276	(5 459)			

Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2012/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	6	7	9	10	11
Revenue By Source							
Property rates	808 566	114 434	923 000	919 699	-3 301	100%	114%
Service charges - water revenue	1 652 044	-	1 652 044	1 081 763	-570 281	65%	65%
Service charges - sanitation revenue	1 244 786	-	1 244 786	806 635	-438 151	65%	65%
Service charges - refuse revenue	2 385 724	-	2 385 724	1 046 993	-1 338 731	44%	44%
Rental of facilities and equipment	459 851	149	460 000	658 892	198 892	143%	143%
Interest earned - external investments	150 000	-150 000	-	50 605	50 605	0%	34%
Other revenue	2 464 000	-2 464 000	-	842 921	842 921	0%	34%
Total Revenue (excluding capital transfers and contributions)	9 164 971	-2 499 417	6 665 554	5 407 508	-1 258 046		
Expenditure By Type		-					
Employee related costs	7 336 000	-	7 336 000	7 150 716	-185 284	97%	97%
Remuneration of councillors	1 744 000	-	1 744 000	1 645 721	-98 279	94%	94%
Debt impairment	1 938 000	-	1 938 000	2 594 315	656 315	134%	134%
Depreciation & asset impairment		-		9 159 451	9 159 451	0%	0%
Finance charges	146 000	-96 000	50 000	62 974	12 974	126%	43%
Contracted services		-		350 877	350 877	0%	0%
Other expenditure	8 682 000	6 746 000	15 428 000	10 632 081	-4 795 919	69%	122%
Loss on disposal of PPE		-		22 479	22 479	0%	0%
Total Expenditure	19 846 000	6 650 000	26 496 000	31 618 614	5 122 614		
Surplus/(Deficit)	-10 681 029	-9 149 417	-19 830 446	-26 211 106	-6 380 660		
Transfers recognised - capital	24 026 000	7 000 000	31 026 000	26 831 719	-4 194 281	86%	112%
Contributions recognised - capital		-			-	0%	0%
Contributed assets		-			-	0%	0%
Surplus/(Deficit) for the year	13 344 971	-2 149 417	11 195 554	620 613	-10 574 941		

Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2012/2013 Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	6	7	9	10	11
Capital expenditure - Vote							
Multi-year expenditure							
Technical Services	3 825 964	-3 825 964	-		-	0%	0%
Capital multi-year expenditure sub-total	3 825 964	-3 825 964	-	-	-		
Single-year expenditure							
Finance and Admin	110 000	-	110 000	8 985	-101 015	8%	8%
Technical Services	7 558 036	3 825 964	11 384 000	4 950 478	-6 433 522	43%	65%
Capital single-year expenditure sub-total	7 668 036	3 825 964	11 494 000	4 959 463	-6 534 537		
Total Capital Expenditure - Vote	11 494 000	-0	11 494 000	4 959 463	-6 534 537		
Capital Expenditure - Standard							
Governance and administration	110 000	-	110 000	8 985	-101 015		
Budget and treasury office	110 000	-	110 000	8 985	-101 015	8%	8%
Trading services	11 384 000	-0	11 384 000	4 950 478	-6 433 522		
Electricity	-	-	-	77 985	77 985	0%	0%
Water	65 810	-	65 810	12 870	-52 940	20%	20%
Waste water management	4 992 226	-4 992 226	-		-	0%	0%
Waste management	6 325 964	4 992 226	11 318 190	4 859 623	-6 458 567	43%	77%
Other					-	0%	0%
Total Capital Expenditure - Standard	11 494 000	-0	11 494 000	4 959 463	-6 534 537		
Funded by:							
National Government	11 384 000	-	11 384 000	4 959 463	-6 424 537	44%	44%
Provincial Government	110 000	-	110 000	-	-110 000	0%	0%
Transfers recognised - capital	11 494 000	-	11 494 000	4 959 463	-6 534 537		
Public contributions & donations		-			-	–	–
Borrowing		-			-	–	–
Internally generated funds		-			-	–	–
Total Capital Funding	11 494 000	-	11 494 000	4 959 463	-6 534 537		

Reconciliation of Table A7 Budgeted Cash Flows

Description R thousand	2012/2013						
	Original Budget	Budget Adjustments (i.t.o. s28)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	6	7	9	10	11
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Ratepayers and other	5 575	(1 657)	3 919	(961)	(4 880)	-2452%	-17%
Government - operating	12 532	7 000	19 532	22 023	2 491	11275%	176%
Government - capital	11 494	(0)	11 494	11 384	(110)	9904%	99%
Interest				51	51	100%	100%
Payments							
Suppliers and employees	(15 824)	(5 163)	(20 987)	(17 742)	3 246	8454%	112%
Finance charges	(146)	96	(50)	(63)	(13)	12635%	43%
Transfers and Grants	(1 847)	0	(1 847)	(3 188)	(1 341)	17257%	173%
NET CASH FROM/(USED) OPERATING ACTIVITIES	11 784	276	12 060	11 504	(556)		
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE		–		22	22	100%	100%
Decrease (increase) other non-current receivables		–		64	64	100%	100%
Decrease (increase) in non-current investments		–			–	100%	100%
Payments		–					
Capital assets	(11 494)	(0)	(11 494)	(5 004)	6 490	4354%	44%
NET CASH FROM/(USED) INVESTING ACTIVITIES	(11 494)	(0)	(11 494)	(4 918)	6 576		
CASH FLOWS FROM FINANCING ACTIVITIES							
Payments							
Repayment of borrowing	(240)	–	(240)	(0)	240	1%	0%
NET CASH FROM/(USED) FINANCING ACTIVITIES	(240)	–	(240)	(0)	240		
NET INCREASE/ (DECREASE) IN CASH HELD	50	276	326	6 629	6 303	203250%	13247%
Cash/cash equivalents at the year begin:	–	(1 705)	(1 705)	(1 698)	7	9959%	#DIV/0!
Cash/cash equivalents at the year end:	50	(1 429)	(1 379)	4 931	6 310	-35756%	9854%

(43)

APPENDIX F
MIER LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 0F 2003
Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Yes / No	
Equitable Share	Nat Treasury	4 149 000	-	4 208 000	1 602 000	2 489 750	2 489 750	2 489 750	2 489 750	Yes	N/A
Financial Management Grant	Nat Treasury	1 500 000	-	-	-	118 543	133 292	599 853	648 312	Yes	N/A
Municipal Infrastructure Grant	COGHSTA - National	3 795 000	-	7 589 000	-	1 825 005	750 025	1 373 871	1 691 492	Yes	N/A
Department Water Affairs	DWAF	-	-	-	-	-	2 485	-	-	Yes	N/A
Library Grant	Province	192 500	-	-	-	9 525	10 176	9 525	17 474	Yes	N/A
Municipal Systems Improvement Grant	COGHSTA - National	800 000	-	-	-	163 762	46 038	173 587	416 613	Yes	N/A
DOT - Hakskeenpan projek	Department of Transport	2 124 434	1 962 299	-	-	2 454 965	2 484 627	46 568	275	Yes	N/A
Project NALA	COGHSTA - National	-	-	-	4 222 269	-	-	-	1 097 428	Yes	N/A
Siyanda District Muncipality	Other	-	-	700 000	947 000	-	-	700 000	947 000	Yes	N/A
Housing Develpment Grant	Department of Housing	-	-	343 049	367 715	-	31 338	291 065	416 364	Yes	N/A
Total Grants and Subsidies Received		**12 560 934**	**1 962 299**	**12 840 049**	**7 138 984**	**7 061 550**	**5 947 730**	**5 684 219**	**7 724 708**		

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division

APPENDIX G
MIER LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2013

Incumbent	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R
Mayor					
Eieman M	417 188	-	157 995	-	575 183
Other Councillors					
Joseph N	125 013	-	53 410	-	178 423
Dodds KW	125 013	-	41 662	-	166 675
Smith PJJ	125 013	-	53 410	-	178 423
Farao PP	125 013	-	53 410	-	178 423
Titus AM	125 013	-	53 410	-	178 423
Masikani S	125 013	-	53 410	-	178 423
Total for Councillors	**1 167 266**	**-**	**466 707**	**-**	**1 633 973**

Incumbent	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R
Chief Financial Officer					
Mouton EN	204 165	16 955	135 262	4 886	361 268
Manager: Corporate Services					
Mouton CA	204 165	16 955	135 262	4 886	361 268
Manager: Technical Services					
Mienies J	204 165	16 955	135 262	4 886	361 268
Total for Senior Managers	612 494	50 866	405 786	14 659	1 083 805
Total for Management	**1 779 760**	**50 866**	**872 493**	**14 659**	**2 717 777**

APPENDIX G
MIER LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2012

Incumbent	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R
Mayor					
Eieman M	421 571	-	153 612	-	575 183
Other Councillors					
Joseph N	126 461	-	51 962	-	178 423
Dodds KW	126 461	-	51 962	-	178 423
Smith PJJ	126 461	-	51 962	-	178 423
Farao PP	126 461	-	51 962	-	178 423
Titus AM	126 461	-	51 962	-	178 423
Masikani S	126 461	-	51 962	-	178 423
Total for Councillors	**1 180 336**	**-**	**465 385**	**-**	**1 645 721**

Incumbent	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R
Chief Financial Officer					
Mouton EN	196 841	16 056	132 362	1 497	346 757
Manager: Corporate Services					
Mouton CA	196 841	16 056	132 362	1 497	346 757
Manager: Technical Services					
Mienies J	196 841	16 056	132 362	1 497	346 757
Total for Senior Managers	590 524	48 169	397 086	4 492	1 040 271
Total for Management	**1 770 860**	**48 169**	**862 470**	**4 492**	**2 685 991**